On the literature of Canadian Nationalist Sentiment

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Capitalism and the national question in Canada
Edited by Gary Teeple (1972)

Introduction
(All emphasis and commentary by the Web Ed.)

Canada, it is generally believed, ranks among the independent nations of the world. Before 1867 this country was a colony of France and then England, but Confederation is accepted and understood as marking its entry into nationhood *(Note that the term 'colony' as applied to Canada historically or currently is not accepted as accurate or useful by the nationalist left --ed.)* Since that time, Canada has seldom been described as a colony. Even today, as foreign control over the economy grows more quickly than the growth of industry itself, the belief in national sovereignty remains.

It is often assumed by those who see Canada as an independent capitalist nation that only relatively non-industrialized 'banana republics' qualify for the status of a colony. Canada by virtue of its industry is considered to be an autonomous and not a colonial nation. But when it is recognized that industry per se **is no criterion of independence, this position is greatly weakened. Most industries in Canada are foreign-owned, and in terms of Canada's total exports, highly manufactured products form but a small part; raw and semi-processed materials and farm and fish produce, on the other hand, constitute the largest portion of export value.**

Although little control of industry lies in the hands of Canadian capitalists, it is still held that Canada is a politically independent state. The appearance of autonomy, however, is illusory. The political system of a modern nation-state can scarcely operate independently of its economy. The role of a government in a capitalist country is to regulate social relations in the interests of capital accumulation. If a nation's own capitalists predominate in the ownership of the means of production, the government in pursuing its *raison d'etre* will legislate policies to promote their interests -- which, in effect, become the 'national' interest. But should capitalists from another country dominate the economy, political subservience shifts to favour the interests of the alien owners of capital. In this case, the nation whose economy is held in sway by foreign capital becomes, as well, a political satellite of the controlling state.

In the Canadian economy, American capital dominates the most important sectors. Without doubt, this is the reason the Canadian government has been so responsive to the political and economic needs of the United States here and abroad and so lax in challenging foreign control when the negative effects are so obvious. The American influence in the economy forces the policies of the Canadian government to fall into line more or less with those of Washington (or Wall Street). Thus, this nation has the political trappings of independence but not the reality because politics under capitalism are ultimately subordinate to the amassing of capital by individuals and corporations, the most powerful of which in this country are American.

This assumption about the political sovereignty of Canada is fed largely by the belief that there is a Canadian ruling class, distinct from American capital. Such enterprises as the CPR, Eaton's, and Weston's,

certain names like E.P. Taylor and K.C. Irving, and, of course, the banks are offered as evidence supporting this view. While Canadian ownership of these and other businesses and conglomerates cannot be denied, their nature and position in the economy are often disregarded. **In the economy as a whole, American capitalists, and not Canadian, dominate in the most important realm, that of production. American capital prevails in manufacturing, in mining and smelting, and in the 'research and development' of gas and oil. Only the railways, the banks, and certain utilities, such as the supply of power and water, can be considered sectors controlled by Canadian capital. Since these forms of business have as their main role the servicing of the American-controlled sectors, their interests are subordinate to American capital.** (Even in its activities in the West Indies and Latin America, Canadian capital has always followed subserviently British and then American capital.) Most of the large concentrations of Canadian capital today perform complementary (or at least non-contradictory) roles in relation to US capital -- the form of which is more powerful because it dominates the sphere of production, while Canadian capital prevails largely in circulation, that is, in transportation, communication, retailing, and finance.

This thesis is put forward by Tom Naylor who argues that historically the dominant form of Canadian wealth has been commercial capital which has characteristically expanded in the sphere of circulation. **With this form prevailing in Canada until the 1930s when it succumbed to the dominance of American investment, there has been a concomitant restriction of domestic capital invested in the production of goods, that is, in industry. Instead, greater profits in the form of commercial wealth have been made by supplying production centres outside the country with raw materials extracted inside. The effect has been to place Canada in a position subservient to first one and then another industrial metropole.**

This dependency on foreign industry prevented the dominant group of Canadian capitalists having a strong consciousness of themselves as the rulers of a nation-state. On the other hand, the ruling classes of industrial nations developed an awareness of themselves -- a nationalist ideology -- because they owned the means to create the wealth of their nations. On the basis of this power, they fashioned the state in their own image for their own ends and were able to maintain themselves at the centre of imperial systems in which other lands were controlled for markets and resource bases. In the face of an industrial power, a nation whose ruling class is founded in commercial wealth, such as Canada, is relegated to a subordinate role -- financing extraction and transporting goods to and from the centre of production. These functions are but subsidiary aspects of production. **Thus, the kind of consciousness the Canadian ruling class has had of itself developed from its dependent economic role in relations with industrial capitalism in Britain and now in the United States.**

Always economically subordinate, the Canadian bourgeoisie could hardly move beyond a colonial mentality. Because the main ideas of a ruling class are those that prevail, the effects of this mentality are reflected in the rest of society. Canadians of other classes, therefore, have been marked by a poorly developed awareness of being members of a nation. Other than the Quebecois, Canadians have typically drawn a sense of identity from their European origins. The lack of a strong national

consciousness, then, likely derives from the dependent nature of the Canadian bourgeoisie and its influence, on the political and social life of the country.

The nationalism of modern industrial nations has arisen generally in the context of their domination of a colonial system. An industrial ruling class will often seek to rationalize its role as a colonial exploiter with a moral declaration of superiority. Thus the activities of the controlling state may be obscured with justifications variously called 'civilization,' 'burden,' 'racial superiority,' 'exceptionalism,' 'democracy,' and even 'God's will.' Yet underlying these notions is the exploitation and subjugation of others. An obvious contemporary example of this bourgeois nationalism is the sense of nationality (blatantly jingoistic as exhibited in the war in Vietnam) that the US ruling class has imparted to Americans of other classes -- often regardless of their colour and political persuasion. The domination of the United States over the so-called free world is the present basis of the American belief that its 'way of life' is the best and all other nations are envious of it. In some instances, the envy is there -- different classes in nations dependent on the US come to see in the 'American way' worthwhile individual and national goals. But it could hardly be otherwise. With the most pervasive propaganda system ever devised, American values are thrust upon those nations, like Canada, unfortunate enough to be tied to the American empire. A belief in superiority, however, is not inherently attached to all of that which is called nationalism.

The United States has invested more in Canada than in any single country in the world, and since the late 1950s more than it invested in all of Latin America. From these facts it can be surmised that Canada ranks as the most important colony of the US. And out of this colonial position there is emerging a sense of protest which has been dubbed 'the new nationalism' in English Canada. It has arisen largely in areas of society where sections of the middle class prevail, the Canadian *haute (big) bourgeoisie* having long since been integrated into corporate America via sell-outs and interlocking directorships. But on the issues against which these sections of the middle class have protested American influence, concessions have been forthcoming. As long as the status quo is not fundamentally challenged, compromise and accommodation will be used to mitigate the nationalist complaints of professors, teachers, artists, lawyers, engineers, government functionaries, and other technocrats. While some aspects of this new nationalism may ultimately develop revolutionary proportions, for the most part so far, they have been used by sections of the middle class for their own advancement. Much of the middle class is largely servile to the existing capitalist system or indeed capitalist itself and so unlikely to defy the system in a fundamental way.

An examination of the development in Quebec during the first half of the 1960s reveals a situation in which large sections of the petite bourgeoisie were accommodated in government bureaucracies, the arts, universities, and mass media. Similar palliatives are offered by the Parti Québécois. But what has not been so subject to appeasement is the struggle between labour and capital -- in the main, American capital. That struggle in the context of the 'national' boundaries of Quebec gave rise to a 'common front' of unions and an articulated class consciousness in the face of American capital and its administrators in Quebec. Any profound challenge to the domination of capital, domestic and foreign, must begin as it has in Quebec in the organized sector of the working class because this sector has the means -- at present poorly used -- to organize and raise the consciousness of the class which creates wealth but does not benefit from it.

The prospect of such a development in English Canada is greatly hindered by the more complete integration of the unions in the so-called internationals. The contradiction between US control over the unions and the need to fight issues peculiar to Canada, however, will be exacerbated by increasing domestic problems in the US and the growing American domination of the Canadian economy. Branch-plant shut-downs and the consequent displacement of Canadian workers, for example, usually mean more jobs for Americans. It can hardly be expected that American unions would fight shut-downs in Canada when US workers benefit from them and when the AFL-CIO is actively working to influence its *own* government to ensure and increase employment for its *own* workers -- albeit to the detriment of those in Canada and Latin America affiliated to the AFL-CIO. Moreover, as the necessity for more decisive labour action on a national scale grows in Canada, the lack of a strong national trade union federation and the cause of its weakness, the international union structure, become increasingly obvious.

It should not be forgotten, despite the rise of a 'new nationalism' among sections of the middle class, that American control over Canadian trade unions has been a major 'national' question since the 1890s. **It was the organized sections of the working class which were the first to fight the issue of u s hegemony in Canada because American control of the unions came with the groundswell of American investment at the turn of the century. For Canadian unionists the problem was clear. The interests of American capital at home and abroad were those of American labour, as was so frequently argued by Samuel Gompers, president of the American Federation of Labor. The unity of these interests as pursued by the AFL underlay the contradiction between the need to fight the rising American capital in Canada (as well as domestic and British capital) and American control of the unions by such a centre as the AFL. So it was that Canadian workers began the anti-imperialist struggle long before the middle class even perceived a problem -- tied as it was to the interests of the Canadian merchant companies and later American branch-plants.**

While this new middle-class nationalism has a certain anti-imperialist tone, its content is largely opportunistic. At present it promises little more than an assurance that some sectors of the middle class will not be denied the dominance they have long held in the social, cultural, and political life of Canada. Assuming that this new found identity continues to develop, it might help to a degree in the struggle the unions must begin to undertake (as they have in Quebec) if we are to change the very system we live in.

As long as the capitalist political order is accepted there will be considerable successful accommodation for those social strata whose interests are not in fundamental opposition to u s hegemony. The long-term growth and radicalization of this protest, therefore, is uncertain. Moreover, as long as these middle stratas assume the continuance of the present parliamentary system, their role in finding alternatives to American ascendancy are limited. For example, the Liberal party receives most of its funds from the large US branch-plants which dominate the economy. With clear responsibilities to those who finance the party, it can hardly be expected to limit the expansion of foreign control. As Trudeau's government has stated, the proposed legislation on take-overs (the qualified screening process) is the fullest program it plans to institute to deal with the question. The proposal, moreover, is a sham, promising to 'screen' -- not necessarily prevent -- only the larger take-overs and ignoring the overwhelming sway already held by the us. As for the

Conservative party, it would be unlikely to consider significantly different legislation while its funds come from similar sources. **The New Democratic Party has no stated policy to 'repatriate' the economy. Its acceptance of liberal democracy, furthermore, is basic to its philosophy -- and to modern capitalism -- thus making it a dubious possibility for leading English Canada to independence. The party's main source of funds come from American international unions which remain ideologically and constitutionally tied to their u s headquarters. This connection confronts the NDP with the contradiction -- if Canadian independence is to be on its program -- of having to *w*in freedom from control by American unions and receiving their funds from the same institutions. For the struggle and debate that is on-going there is a further complication in the widespread idea that the BDP is a socialist party. I t is left liberal, but as long as it is perceived as socialist it and its left wings will continue to mislead the struggle for an independent and socialist Canada** *(unless of course left "caucus" groups -- like the Waffle -- are able to redirect its course -- ed.)*

The major liberal democratic parties in Canada, then, represent interests which, in the case of the Liberals and the Conservatives, are mainly American *(the problem is precisely that they are CANADIAN parties! --ed.)* -- embodying complicitly most of the large Canadian capital formations in the way of banks, insurance companies, railways, and so on -- and, in the case of the NDP, keep the trade union movement divided and weak *(would that the NDP would attempt to do just that by politicalizing unions at the level of local PACs! --ed.)* thereby dampening the possibility of united trade union activities. The Communist Party of Canada remains hopelessly dogmatic; the Social Credit party hopelessly irrelevant to any problem in Canada. Besides being compromised, confused or pointless, none of these parties has fully accepted the right of Quebec to secede, and the only provincial separatist party, the Parti Québécois, is a wolf in lamb's clothing, holding great promise for the middle class of Quebec but little for the working class. What, then, is the alternative for the socialist? *(--this comment typical of the then current Maoist perspective at play here --Ed.)*

Despite the role played by the 'democratic' parties and institutions in keeping Canada a US colony, the processes of liberal democracy are still largely , accepted as legitimate. As long as this remains true, socialists cannot ignore the question of the formation of a new political party. More immediate though, is the question of detaching the trade unions from American control and making them into 'schools of socialism,' centres in which *to begin* the conscious struggle of labour against foreign and domestic capital. In short, the job is to make politics subservient to the interests of working people in Canada, not to those of the owners and managers of capital. Only then will the goal of independence and socialism become a possibility.

It is the intention of this book to further the radical analysis of Canadian society. The perspective and arguments found in the essays are consistent in that they reflect left-wing views. Not all the contributors would agree with what has been argued in this introduction, but certainly they are agreed that the present order is fundamentally unjust and that exploitation of Canadians will end only when socialism is won by and for the working class.

GARY TEEPLE

Capitalism and the national question in Canada
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Continentalism and Canadian agriculture

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[All emphasis by the Web ed.]

(...)

Thus, according to the *[Federal] Task Force Report,* 'wheat will no longer be king on the prairies; cattle will have exceeded it.'[26] In fact, cattle dethroned wheat as a prairie cash-earner in 1969; but the expansion of cattle production to meet the prospective annual export of half a million feeders[27] would mean a decisive lead for cattle as a farm cash-earner if wheat output continued to be restricted by inadequate world markets.

The inadequacy of world demand for Canadian wheat has been clearly related to American production and marketing policies. And these policies seem certain to persist and even intensify as the United States struggles to solve its balance of payment crises. The *Task Force Report* **apparently recognized this situation. 'The year 1966 marked a series of major changes in us wheat policy, all of which affected Canada adversely. The US wheat acreage allotment was increased by about 30 per cent, a modified two-price system was introduced using domestic milling certificates, and aggressive selling in commercial markets supplanted much of the earlier emphasis on food aid.'[28] From this the** *Report* **concluded that Canada could lose even more of the world wheat market to the United States unless Canadian wheat exports are made 'fully competitive' in price, credit conditions, and quality.**

The 1966 changes in American wheat policy were followed in 1967-68 by the declaration of a 'free year' in wheat marketing, with accompanying price reductions. At the same time the Canadian Wheat Board was trying to maintain price levels consistent with the International Grains Arrangement which had been negotiated to come into effect in the following year.

With its 'free year' pricing, the United States was able to increase its wheat exports by 2 per cent to 761 million bushels, while world exports declined by 15 per cent and Canadian exports fell by almost 40 per cent to 336 million bushels. **As a result, Canada was left with over one-half of the total wheat stock held by the four leading wheat exporters. The same condition prevailed at the end of the 1968-69 crop year,[29] when world production (excluding China) rose to a record 11.3 billion bushels and the world carry-over reached 2374 million bushels.[30]**

The world situation worsened in 1969-70. Crop yield was 8 per cent below that of the previous year, but carry-over stocks in the hands of the five main exporters increased by another 200 to 300 million bushels. Furthermore, the International Grains Arrangement failed to prevent a price war in 1970, during which the price of wheat was forced down to more than 10 per cent below the IGA minimum.[31]

When exports improved late in 1970, the Canadian government was still recommending wheat acreages well below the 29.4 million acres seeded in 1968. Although the *Task Force* called for improved market research and more aggressive selling, it was evident that government policy-makers saw little hope of prevailing against American selling tactics.

The projections accepted by the *Task Force* for 1975 wheat exports from Canada to the 'developing' areas (i.e. Africa, Latin America, and Asia excluding China) were based on the assumption that production would increase by 35 to 85 per cent in those countries, compared with 1961-63 averages. Over the same period, increased consumption by a population growing at an estimated 2.3 per cent annually would add 50 per cent to their anticipated effective demand for wheat.

This would mean little chance for increased exports to those areas, although the projected 1975 consumption of 71.2 to 73.9 million metric tons by this 52 per cent of the world's population would indicate that their effective demand per capita was still far below their real need. (By 1975, the remaining 48 per cent, including the USSR and China, were expected to consume 189 million metric tons.) In other words, the 'developing' but hungry nations, including over half of the world's population, would be consuming only 28 per cent of the world's wheat. On a per capita basis, this can hardly be described as an improvement over the comparable 23 per cent for 1961-63.[32]

TOWARDS A CONTINENTAL MARKET

In view of the assumption that little or no improvement can be expected in the hungry world's effective demand for Canadian wheat, the *Task Force's* **interest in the future requirements of the American market is understandable. The Task Force recognized that in food as in most other commodities, the US would seek unfinished products to be processed in that country. But the** *Report* **failed to warn that this trend would further increase the advantages which Americans have already gained in employment, terms of trade, and value of production, by using Canada as a source of raw materials.**

In fact, the *Report* ***clearly recommended that Canadian agriculture should cater to American interests with any farm product which would be acceptable.*** **The federal government was urged to take 'strong initiatives toward serious discussions of free trade for a further group of vegetables and fruits in which Canada has a comparative advantage, including carrots, onions, cole crops, turnips and strawberries.'**

There was no comment on the fact that although 'apples are virtually on a free trade basis now,' the marketing problems for that commodity remained unsolved. Instead, the *Task Force* recommended a greater sales effort in the American market by the apple industry. No mention was made of attempting to build such sales in the form of processed or finished apple products, but a major obstacle to that procedure was indicated. **'Research for the** *Task Force* **estimates that over 70 per cent of the pack of fruits and vegetables is processed in American-owned plants. The parent company of some of these Canadian firms appears reluctant to use in Canada the advanced machinery and technology used in its American plants. The American investors may have good private reasons for such practices but such a policy means that technology *in Canada advances more slowly than would otherwise be the case.*'**[33]

It is significant that despite this rare recognition of the penalties of continentalism, the *Task Force* **omitted any remedial suggestions, which presumably were inhibited by its commitment to more complete continentalism. Meanwhile, under the conditions existing early in 1971, Nova Scotia apple growers were faced with a one-third decline in the prices of apples used for processing. According to a NFU report, this meant that 'very soon a painful decision will have to be made as to removing a large percentage of trees from production.'**

Spokesmen for the 12,000 apple growers in Canada denounced 'unfair trade advantages granted other countries' as a cause of their problems. They demanded prohibition of apple and apple-product imports 'from countries which have closed their markets to apples from Canada.'[34] As the Nixon administration subsequently moved toward a much greater degree of protectionism, the apple growers' recommendations obviously gained in acceptability relative to the *Task Force's* hopes for free trade.

As noted above, the major export promoted by the *Task Force***, on the basis of free trade and adaptation to the American market, was feeder cattle. The** *Report* **specifically discounted the chances for expanding sales of finished cattle or dairy products. Even with feeder cattle, it was recognized that possible over-production in the us might lead to lower prices, and to import quotas.**

Thus with these export products, as with apples, the development of secondary industry was clearly down-graded in favour of advancing and maintaining the primary industry level, despite the fact that

this means fewer jobs and lower national income than secondary industry would provide. **In the case of the recommended expansion of feeder cattle exports, the** *Task Force* **accepted the income loss from an anticipated price reduction of $2.00 per hundredweight, or more, relative to American prices.**[35]

Perhaps as compensation, the *Report* ***expressed hope that if the Americans conceded a completely tariff-free continental market for cattle and beef, cattle exporters would gain $1.50 per hundred on finished animals and $2.50 on feeders. But Nixon's protectionist bombshell of August 1971 left little hope for anything substantial in the way of tariff reductions.***

Even with lower prices for feeder cattle exports, the *Task Force* regarded a maximum effort in this category as the most viable alternative to the problems of a congested grain market. In further support of the cattle exports, the Report urged a shift from dairy products (for which higher American demand seemed unlikely) to beef cattle. Its recommendations to the dairy industry were consistent with its general approach.

The Canadian Dairy Adjustment Commission [CDAC], named to replace the present Canadian Dairy Commission) would be expected to help milk producers to develop profitable enterprises without 'extensive subsidies.' Otherwise it would help them 'to phase out of milk production.' 'The CDAC and provincial regulatory bodies must provide the kind of economic climate for processors and others involved in the dairy industry so that marketing efficiency may be improved. Such measures include: *(a)* programs to bring about more stable milk production, especially seasonally, *(b)* ending those regulations that inhibit the expansion and merger of processors and distributors.'[36]

Thus for both farming and agribusiness, the *Task Force* **seemed to be relying, with persistent faith, on the market's mythical power to promote efficiency, and on the power of free trade to work for the benefit of all. Farmers and others who have learned by experience to ridicule such assumptions must now decide whether government policy makers are suffering from illusions or are trying to rationalize the foreign corporate takeover of Canadian agriculture.**

Whatever its motives, the *Task Force* evidently was promoting government intervention only to assure those adjustments necessary for a smooth transition to further integration of farming and agribusiness.[37] This seemed to be regarded as the best alternative to the present situation, where highly competitive farmers find themselves at a bargaining disadvantage in 'buying from and selling to sectors with only a few large firms.'[38] But the *Report* failed to explain how farmers could expect less exploitation as employees or minor partners of large corporate conglomerates.

In any event, the integration process inevitably means fewer and larger farms, the decline of rural life, and a continuation of the population drift from the country to a precarious and often destitute existence in large urban centres. For those remaining on the fewer and larger farms, the *Task Force'***s recommendations to the dairy industry are of interest.**

Faced with large surpluses of milk powder in the hands of the Canadian Dairy Commission, the *Task Force* **approved drastic reductions in the number of milk cows in Canada.**[39] As for the surplus of milk powder, it said: 'In order to bring powder supplies into balance with demand, milk production would have to decline by as much as 2.5 billion pounds... We continue to buy powder at 20 cents per pound, store and transport it and sell it to non-Canadian users at five to eight cents per pound. With production of 380 million pounds and consumption of 160 million, the outlook is indeed serious and deteriorating.'[40] This 'deteriorating' outlook was directly related to the fact that 'per capita consumption of milk in all of its forms has been falling for many years, and there appears to be no likely developments which would reverse that trend.'[41] **Here again, the** *Task Force* **appeared to be accepting a continuation of the widely inequitable income distribution which has prevailed even in an expanding Canadian economy. Extensive poverty has undoubtedly been responsible for declining per capita consumption of milk**[42] **and other relatively expensive foods as prices have risen.**

With its projected declining market for milk and an increasing American demand for feeder cattle, the *Report* logically proceeded to recommend sale of surplus milk powder to feed the cattle. Prices, of course, would have to be greatly reduced, and provision was made to prevent the cheaper milk powder from being diverted to human use. 'The CDC, which has been buying skim milk powder at 20 cents per pound and exporting it at five to eight cents, should make powder available to livestock feeders at prices competitive with substitute ingredients. Presumably the CDAC would have to denature the powder by using a harmless vegetable dye and thereafter might sell it at prices close to those net prices currently received in export markets.' The CDAC would also be expected to use some of the funds now available to the CDC 'to provide positive encouragement for dairy farmers who wish to enter beef cattle production.'[43] **This recommendation was part of the** *Task Force's* **general view that the best allocation of government subsidies is that which help to direct production toward markets where expanding demand is anticipated. Here, as with other products, the demand was expected to be American.**

The *Report* **made no attempt to defend this recommendation in terms of equitable distribution of world food surpluses.** Instead, it discussed two sets of policies to be implemented, assuming that improved productivity would result from more emphasis on feeder cattle output at the expense of milk and wheat production. First, price supports, subsidies, and other policies 'must be amended to reduce the relative attractiveness of producing milk and wheat. Second, new policies must be developed to provide positive encouragement to beef feeder production.'[44] **It was these recommendations which led the NFU to advise its members that 'Canadian agriculture is to be diverted from milk and grain for hungry people to meat products for affluent Americans.'[45]**

Some members of the *Task Force* felt that the meat requirements of American consumers could provide an important export outlet for Canadian pork products. The dominant view, however, was that such exports could not expand significantly unless Canadian prices fell by 'about $5.00 per hundredweight below the relationship they "normally" have with us prices.'[46]

Evidently, this was another case in which prospects for the export of finished products were regarded with pessimism. In agriculture, as in most other industries, the development of continental trade seems to require extension of Canada's role as a supplier of raw materials or unfinished products to the United States. As in other industries, this procedure would likely mean further integration of Canadian farm production with the supplying and processing plants of American-controlled agribusiness. Consequently, the proportion of feeds, fertilizers, machinery, and other supplies provided directly by American firms could be expected to increase. This would bring more unemployment to Canadian industries and services, thereby adding to the disintegration of Canadian towns and villages which depend mainly on farming. **Acceptance of integration with American agribusiness would also bring further loss of Canadian control over the output and prices of farm supplies.**

An important example of this appeared in the *Barber Royal Commission Report* **on farm machinery, in which tractor prices on the North American continent were observed 'to be set by the two firms with the largest share of the market, International Harvester and Deere,'[47] both American firms.** With this structure, the 1967 net wholesale prices of tractors 'averaged from 17 to 38 per cent lower in Britain than they did in Canada,' and by 1968 the spread had widened to between 30 and 45 per cent. These prices, dictated by the two dominant American firms, represent large profit margins above costs which are also unnecessarily high because of excess capacity in the farm machinery industry. The *Commission Report* estimated that 'between five and ten firms of efficient size could easily produce all the tractors currently sold in the non-Communist world. In fact, some 20 to 30 firms are now producing tractors in significant volume.' *Commission* figures indicated further that if the number of firms were reduced so that a firm now producing 20,000 units annually could attain a volume of 120,000 units or more, the unit costs for an average-size tractor could be reduced by over 25 per cent.[48]

Under existing circumstances, however, prices paid by farmers must cover both the unnecessary costs and the high profits maintained by the American-dominated cartel. The *Task Force Report* **entirely neglected this problem of cartels in the continental market. The** *Barber Report* **urged**

discussions and negotiations with parent companies, international action against combines, and investigation of low-cost imports of machinery not currently represented on the Canadian market.[49]

As might be expected from commissions which reflect the class bias of the federal government, neither report admitted any basic flaws in the monopoly capitalist system. Similarly, there was no recognition of the certainty that pro-capitalist governments can never be depended on to take effective action against the influence of international cartels, or the injustices of the 'markets' controlled by these cartels. Until these problems are solved, it will not be possible to feed Canadian farm surpluses to a hungry world; or to revive the Canadian rural economy; or to prevent an American takeover of both agribusiness and the land itself.

CONTINENTALISM AND CORPORATE FARMING

As already indicated, economic integration with the United States means not only the adaptation of Canadian output to American demand, but also the provision of outlets in Canada for surplus American capital. In view of the accelerating trend toward large-scale, assembly-line production in agriculture, corporate farming has become a major attraction for American investors. Continuation of the corporate trend was anticipated in the *Task Force Report:* 'It may become impossible eventually for the individual farmer to accumulate sufficient savings during his lifetime to develop an efficient size of business and own a debt-free farm by the time of retirement... A corporate form of farming with hired management and equity financing through the stock market may eventually evolve out of the far-reaching changes which are certain to occur in agriculture during the next two or three decades.'[50]

An important and controversial example of attempted penetration by corporation farming from the United States occurred in Nova Scotia in 1970. Cattle operators from Ohio, Montana, and Florida proposed an investment of $2.4 million in a 'Canadian corporation' which would set up a 20,000-head beef cattle complex. Following the familiar pattern of expecting Canadian taxpayers to provide most of the money, the group planned to obtain the remainder of the $6 million initial investment from the provincial government.

Although the scheme had the support of the Nova Scotia Department of Agriculture, it was delayed by strong farmer protest. The NFU presented a brief to the Department, pointing out that corporate farming of this type 'is a vehicle which invites wholesale take-over of the last resource (farm land) by us investors and/or control by US business.' The brief referred to a prediction that the project, beginning on a scale comparable to the largest of Canadian cattle feedlots,[51] would, 'within a very few years, control a third of Nova Scotia's beef production.'

Noting the plan for an initial importation of 10,000 head of American cattle to start the feeding complex, the NFU warned that this process could exert pricing pressure against local producers, who would be justified 'in viewing a government loan to this enterprise as using their own tax money to put them out of business.'[52] The union saw 'more justice and less risk if the government will impose in its own people the confidence it appears to have in these foreign entrepreneurs.'

Provincial governments, searching for more investment, tend to support such ventures into corporate farming without full consideration of the consequences. Such was the case when Ogilvie Flour Mills, a subsidiary of John Labatt Ltd.,[53] announced plans in 1971 for a feed mill and hog breeding operation in Manitoba. In its original welcome of the plan, the Manitoba government mentioned an investment of $5 million and an output of 60,000 hogs annually in three to five years. This meant that the government was prepared to endorse a project which would be producing 8 per cent of Manitoba's normal hog output.[54] (Later, the actual plan was reported to involve an investment of only $1 million.) **The prospect of 60,000 hogs a year from one integrated enterprise brought widespread protests from the farmers and from the NFU. The union's regional coordinator for Manitoba, Phil Schwarz, called for laws against corporate farming. He warned that corporate control over agriculture was growing at 'an unprecedented rate.'[55] Furthermore, this form of organization attracts American investment and control to Canadian agriculture.**

Schwarz became especially concerned with the growth of this control in dairying. He noted that four major American chains -- Kraftco,[56] Borden, Beatrice Foods, and Carnation -- are rapidly extending their holdings in Canada. By the end of 1970, these firms controlled approximately forty dairies in Ontario alone. Beatrice officials described their Canadian takeovers as part of 'an overall international expansion.'[57]

Another example of such expansion is the Simplot organization of Idaho, which extended its potato processing into Alberta and Manitoba. In 1968 these two plants, together with four in the United States, were processing 60 carloads of potatoes daily on a year-round basis.[58] Supplies came from 80,000 acres whose owners delivered their entire output under contract. The Simplot conglomerate, which includes fertilizers, mines, lumber, feeds and frozen food processing, has been continuing its expansion into other provinces.

Smaller corporate units have been active in expanding direct farmland ownership in Canada. Additional land purchases by Americans are frequently reported. One recent article described the impact of 40,000 American immigrants in the ranchland of central British Columbia.[59] Seeking a new farm frontier, these Americans generally wish to retain their citizenship, and expect to send their children back for the military draft. This attitude has aroused considerable resentment among Canadians in the area. Young local farmers trying to get a start must also contend with the higher land prices bid by Americans.

Higher prices for land and the trend toward integrated, corporate agriculture thus give concentrated American capital an increasing advantage over Canadians who are trying to develop or maintain viable farm units. The *Task Force on Agriculture* accepted this 'increasing formal and informal integration' together with farm mergers and consolidation, 'not primarily for increased production efficiency, but to structure units that are large enough to afford better management.' And further: 'As the size of units increases, financial requirements multiply and operating problems increase in complexity, ease of entry into commercial farming will be drastically cut allowing much greater rationalization of supply-demand relationships.'[60]

The *Report* was thus accepting the development of commercial farming, where fewer and larger units would be integrated with agribusiness. As in other industries, fewer and larger firms would mean more effective barriers against new entrants, and greater control over prices and output -- to the disadvantage of both farmers and consumers. This concentration and control would not only inhibit 'free market' supply-demand relationships, but also would facilitate the transfer of ownership to large-scale American enterprises.

Under the improved management visualized by the *Task Force*, a 'high and rising proportion' of present farm operators would become 'employees working for salaries and wages.' Some family farms would survive, but like the corporate farms, they would be 'rationally managed, profit-oriented businesses.'[61] With such an orientation, they would inevitably pursue continental markets and control.

In resisting these trends, the NFU has emphasized as a principle, 'that the more the individual farmer's bargaining power can be harnessed collectively, the greater will be the farmer's bargaining power.'[62] Attempting to exercise this power at the November 1970 agricultural conference in Ottawa, NFU president Roy Atkinson insisted that government 'has no right to legislate people off farms... why should a man with 10 cows and three pigs be jack-knifed into the asphalt jungle of Toronto because of government policy?'[63]

AN ANTI-CONTINENTALIST APPROACH

Immediate realities oblige farm organizations to strive for some form of effective bargaining power against the exploiting class represented by agribusiness and government. But it is unrealistic to assume that any farm union can exercise enough lobbying power to bring about legislation which will

place farmers' interests ahead of business and financial interests. The NFU has already pursued this method to the extent that little remains but its announced threat of a nation-wide non-delivery strike. If this is tried, farmers across Canada may learn by experience that governments are not neutral, but are servants of the investing class. Such governments must be replaced, and this requires political action, against which farm unions have developed deeply ingrained opposition.

Apart from the difficulties of organizing the majority of farmers politically, there is, as the *Task Force* pointed out, 'the political reality that Canadian voters are divided 92% non-farmer and 8% farmer.'And the government 'must give primary attention to the views of the urban population.'[64]

Such an attempt to align the farmers against the urban people neglects the fact that most of the latter are wage and salary earners, and that the prosperity of one group depends on that of the other.[65] **Furthermore, while the farmer and the worker are essential in any economic system, the private middleman is totally unnecessary for the attainment of full employment and improved living standards. In fact, it can be safely asserted that the achievement of these goals is impossible where private entrepreneurs, and particularly, foreign ones, are in a position to impose their erratic, profit-seeking policies on the economy and on the government.**

Under these circumstances, there is a solid basis for mobilizing a majority of Canadians in support of a farmer-labour government. This does not necessarily imply support for the New Democratic party. The Manitoba government's enthusiasm for the proposed Ogilvie Flour Mill conglomerate shows that an NDP administration cannot escape the priorities which must dominate any party as long as it depends primarily on the private entrepreneur for investment. The NDP faces what the *Toronto Star* ***described as Mr Blakeney's big gamble 'when he begins to legislate the salvation of the family farm in the face of a continental trend to large units and "agribusiness."'***

The Saskatchewan NDP's farm program included the control of unnecessary duplication in farm services; a guaranteed net income per acre; the restriction of corporate ownership to family farms and groups of families farming cooperatively; and the retention of farm ownership in Canadian hands. Of major importance among these desirable planks was a proposal for a Land Bank commission[66] which would purchase land 'offered voluntarily on the market at competitive prices and lease this land, guaranteeing tenure, on the basis of need, with option to buy.'

The NDP, like the *Task Force,* ***was thus relying basically on the 'market at competitive prices,' combined with a rejection of proposals for public ownership of agribusiness. As a result, its general program seemed likely to end up more as words than deeds. The Waffle movement strongly objected to inclusion of the phrase 'with option to buy' in the Land Bank program, arguing that this was against convention policy and was conducive to the development of large private estates. Reliance on 'competitive prices' also indicated acceptance of an advantage for the wealthier 'competitors.'***

And if agribusiness pricing and quality remains under the control of foreign cartels, a guaranteed income per acre could become a gold mine for these industries at the expense of the taxpayers. A farmer labour government would have to recognize that the *Task Force Report* **is correct in pointing out that acceptance of the market as it now operates means acceptance of a continentalist agribusiness which functions as an instrument of American imperialist expansion.**

Such a government, on the prairies or in Ottawa, would have to recognize that an end to the exploitation of Canadian farmers and workers requires top priority to breaking the grip of continentalist market manipulators. It would need to abandon the fantasy that anything resembling a free market now exists, or would be desirable if it did exist.

In this initial anti-continentalist struggle, which already seems to have wide support among Canadians, a farmer-labour movement would gain the experience and support needed to proceed toward a more rational economy. **Such a system would include an attempt to establish more equitable trading**

relations with those billions of people who need food. It would guarantee employment for all Canadians able to work, including those who may leave the farms. It would plan the development of villages and towns as suppliers of the farm economy.

These achievements would provide the basis for abolishing the exploitation of workers, farmers, and consumers by private investors, both domestic and foreign. And this would mean that governments had at last begun to rely on the farmers and workers of Canada with the confidence which is now placed in foreign entrepreneurs.

NOTES

(…)

6 The federal government's farm income stabilization plan, introduced in the fall of 1970, has been denounced by farmers as a plan to stabilize their incomes below the cost of production. According to NFU president Roy Atkinson, 'when one considers phasing out of the Temporary Wheat Reserves Act, probable elimination of FAA, no commitment by government to support initial prices established by the Canadian Wheat Board, it would appear that the government is moving toward even less support for farmers.'

(...)

26 *Ibid.,* 254.

27 Canada's annual average export of cattle to the US over 1965-69 was 192,000 head. See *Situation 70,* 149.

28 *Agriculture in the Seventies,* 87-8.

29 *Ibid.,* 88.

30 *Situation '70,* 1, 25.

31 Following the increase in the value of the Canadian dollar in June 1970, the price of No. 1 Northern (in store Thunder Bay) immediately declined by another 6 cents per bushel. By the first week of August, the price reached as low as $1.72, which can be compared with the average of $1.95 for the year 1968-69. See *ibid.,* 6. The final payment for No. 1 Northern delivered in the 1970-71 crop year, after deduction of wheat board expenses, brought the final total price received by farmers for that grade to $1.67.

32 *Agriculture in the Seventies,* 89.

33 *Ibid.,* 235.

34 *Union Farmer,* April 1971.

35 In mid-1970, the Canadian government's decision to unpeg the Canadian dollar led to an increase in its value relative to the US dollar. As a result, export prices for Canadian cattle declined by at least $1.50 per hundred relative to American prices.

36 *Agriculture in the Seventies,* 203.

37 The Report did concede that other industries benefit from tax concessions, subsidies, loans, grants and 'a host of other activities which result in incomes very different from those which would have been determined by the free play of market forces.' *Ibid.,* 24. Farmers, presumably, would be expected to see themselves participating in these benefits by integration, i.e. by entering into contracts with agribusiness buyers or suppliers or perhaps incorporating and merging with these firms.

38 *Ibid.,* 18.

39 The total number was projected to decline from 3,006,000 for 1957-61 to 1,677,000 in 1980. *Ibid.,* 202.

40 *Ibid.,* 198.

41 *Ibid.,* 196. Between 1964-66 and 1980, per capita milk consumption was projected to decline by 15 per cent (252).

42 The Economic Council of Canada observed that the amount spent on food by poor families was only 67 per cent of the food expenditures by non-poor families. *(Sixth Annual Review,* 116.) The Council also estimated that in 1961, 4.2 million non-farm people and 550,000 on farms were living on incomes below the poverty level. *Fifth Annual Review,* 108-9.

43 *Agriculture in the Seventies,* 204.

44 *Ibid.,* 165. In January 1972 the federal government announced a two-price system for wheat, whereby the top grade sold for human consumption would bring farmers $3.00 a bushel (basis Thunder Bay). It was not immediately clear whether this move was designed to revive wheat production or to prevent further Liberal losses in the impending federal election. But the promise of higher returns was undoubtedly one of the factors which led Canadian farmers to plan a wheat acreage of 21.4 million for 1972, an increase of 11 per cent over 1971.

45 *NFU Reveals Task Force Objectives,* Saskatoon (July 1970).

46 *Agriculture in the Seventies,* 172. The economics of hog processing and transportation is such that the export of pork greatly exceeds that of live hogs.

47 Royal Commission on Farm Machinery, *Special Report on Prices* (Ottawa 1969), 92.

48 *Ibid.,* 61-2, 198-9.

49 *Ibid.,* 96-7.

50 *Agriculture in the Seventies,* 335.

51 One of the largest is a 25,000-head feedlot near Brooks, Alberta, which is already integrated with a $500,000 feed mill, andjs now expanding into slaughtering and meat packing.

52 This observation, of course, could be applied to most other farming operations in Canada.

53 John Labatt is reported to be controlled by International Utilities in the United States.

54 There has been a rapid general trend toward larger size in livestock units. Between 1952 and 1967, the average number of hogs per farm in Canada tripled; the size of cattle herds more than doubled, while the size of the average

turkey flock became almost ten times greater. See Economic Council of Canada, *Fifth Annual Review,* 96.

55 *Union Farmer,* Feb. 1971, and *Free Press Weekly,* 6 Feb. 1971.

56 In September 1971, the NFU organized a national boycott of Kraftco products with the objective of forcing this 'largest dairy monopoly in North America' to pay better prices for milk.

57 'US Food Giant "Creams" Dairies,' *Financial Post,* 2 Jan. 1971.

58 Maritime farmers and their potato marketing agencies were advised by the Task Force to 'proceed with a vast re-structuring of the industry' since 'only eight per cent of the growers ... having more than three acres of potatoes actually grew more than 67 acres.' *Agriculture in the Seventies,* 221. Furthermore, 'horticulturists and prominent growers consider acreages from 100 to 200 and upward per farm are required to realize an efficient use of modern technology.'

59 Don Newlands, 'The Americans Are Coming, the Americans Are Coming,' *Canadian Magazine,* 3 April 1971.

60 *Agriculture in the Seventies,* 9.

61 *Ibid.*

62 NFU Policy Statement, First Annual Convention, Dec. 1970.

63 Canadian Press, 27 Nov. 1970.

64 *Agriculture in the Seventies,* 274. With reference to this ratio, the Report did not distinguish between actual and eligible voters. But since it has not been shown that the proportion of non-voting farmers generally varies greatly from that of non-voting urban dwellers, the distinction is not important. More significant may be the Report's reminder that rural-urban representation in the House of Commons 'is of the order of one-third *versus* two-thirds.'

65 **The argument that wages push up farm costs is rapidly losing credibility. According to the DBS Census of Manufactures, the wage element in farm machinery costs dropped from 32.1 per cent in 1957 to 20.0 per cent in 1967, while the 'profit and other' proportion rose from 17.6 per cent to 23.2. Cost of materials rose from 50.3 to 56.8 per cent.**

66 At the first full session of the Saskatchewan legislature under the Blakeney government, Land Bank legislation provided a fund of $10 million to purchase land. The executive-secretary of the Saskatchewan Federation of Agriculture estimated that 800 farms (about one per cent of the province's total) might be purchased with this amount. Jack McCloy, an executive member of the NFU, criticized the fund as 'inadequate.' Saskatoon *Star Phoenix,* 15 March 1972.

Capitalism and the national question in Canada
Edited by Gary Teeple (1972)

The development of class in Canada in the twentieth century

Leo A. Johnson *(text selections, pp 157-163)*

Teaches in the Department of History at the University of Waterloo

(All emphasis by the Web Ed.)

(...)

CANADIAN CAPITALISM AND IMMPERIALIST DEVELOPMENT

No change in the state of the Canadian bourgeoisie has as much significance, or is likely to have such important long-range effects, as the take-over of the Canadian economy by the American-based multinational corporation. For the parent corporation the take-over of the Canadian means of production satisfied three main needs: the defence and expansion of the capitalist system; the creation of a stable corporate monopoly free from the uncertainties of the market place; and a field for profitable investment of capital.[40] By 1969 about 8700 Canadian concerns were controlled by non-residents, and foreign capital was invested directly or indirectly in some 12,000 Canadian concerns. In all, 74 per cent of petroleum and natural gas, 65 per cent of mining and smelting, and 57 per cent of manufacturing were foreign-controlled. In 1969, foreign residents owned assets in Canada valued at 46.9 billion dollars.[41] In the same year, total share capital held by Canadian private individuals was about 14.0 billion dollars.[42]

While it is perfectly understandable that foreign corporations would want to take over control of Canadian industry and natural resources, it is perhaps not so clear why Canadian businessmen would so eagerly co-operate in this process. It is not until one examines the corporate ideology of the Canadian businessman, the assumptions he accepts, and his economic interests that some understanding appears.

As the Parks said of the Canadian businessman: 'It is not in terms of their birth or citizenship that [they] are un-Canadian but in terms of their outlook ... The problem and source of danger to the future of Canada lie in the fact that those who control the key sectors of the economy have taken as their premise that us capital is and will be dominant, that Canadian development is necessarily subordinate to and dependent on ("integrated with") the drive of us groups for their own benefit.'[43] Even a casual glance through *Industrial Canada,* the monthly journal of the Canadian Manufacturers Association, is enough to convince oneself of the accuracy of the Parks' statement.

Gerard Filion, president of Marine Industries Ltd. (controlled by the Simard family of Quebec), vice-president of the General Investment Corporation of Quebec (the provincially funded development corporation), and 1971 president of the Canadian Manufacturers Association, demonstrated his complete acceptance of the dominance of the multinational corporation in his inaugural speech, **'Multi-national corporations are a phenomenon of the contemporary economy; they are here to stay and it is necessary to adjust to this fact... It isn't all that important that multinational corporations control large industrial, commercial and financial holdings in Canada.'[44]**

Norris R. Crump, chairman of CPR, director of the Bank of Montreal, International Nickel, Mutual Life, and seventeen other corporations, demonstrated how little interest most major Canadian capitalists have in Canadian economic unity when he addressed the same meeting.

Crump demanded substantial changes in Canadian tariff and economic policies whose results would have the effect, in his words, of: '(1) Increasing the attractiveness of imported manufactured goods in Western Canada and the Maritimes; (2) Allowing Quebec and Ontario to integrate their economies more fully into the heartland of North America, so reducing their dependence on Western and Maritime markets; (3) Permitting Canada, particularly Western Canada, to integrate more fully with the Pacific Rim countries [i.e. Japan], which are more and more becoming their natural trading partners.'[45]

These businessmen's attitudes to the exploitation of the natural resources of Canada and the underdeveloped nations was couched in the full-blown rhetoric of the multinational ideology. As Gerard Filion expressed it: 'We are witnessing a new phenomenon in the world economy, that is the internationalization of raw materials. Heretofore, countries were rich because they possessed coal, iron ore, wood, cereals, or water power. This is no longer the case today. Japan has demonstrated that a country's chief natural resource is the brains of its managing class and the ability of its workers. The internationalization of raw materials is an advantageous phenomenon for the world economy as a whole. **Every measure aimed at restricting the export of raw materials from countries that have them in abundance to those who do not counter to the general prosperity of humanity and peace between nations and men.'[46] That the 'internationalization' of raw materials is a one-way street from the poor to the rich countries appears to have escaped Mr Filion's attention.**

R. Rea Jackson, Chairman of Socony Mobile Oil Company, speaking to the us National Military-Industrial Conference in 1958 was much more explicit. In discussing the growing strategic crisis created for American capitalism by the rapidly depleting reserves of crucial metals, oil, and energy, **Jackson pointed out that: 'In the old days, a country faced with such a shortage of materials would simply have moved out and grabbed colonies, under some pretext or other ... Our tradition, or at least a healthy part of our tradition, is the policy of asking for an "open door" for trade.'[47] The chief difficulty facing the us in the acquisition of raw materials by the 'open door' method was the nationalism of the countries owning them.[48] As the conclusions of the Military-Industrial Conference pointed out, to the US, 'Strategy means "the mobilization, integration, and prudent management of the political, economic, educational, technological, industrial, scientific, cultural, ideological, and spiritual resources of the entire nation."'[49]** Corporate internationalism offers a crucial ideological weapon in breaking down national resistance to American acquisition of the needed raw materials. Its acceptance by the major Canadian capitalists creates a most serious threat to Canada's autonomy and, ultimately, the welfare of its citizens.

The fact that Canadian businessmen accept the ideology of corporate internationalism is not merely the result of a triumph of American propaganda. Rather, it is a reflection of their personal and corporate interests and goals as well. While a good deal is known and written about the huge degree of American ownership of Canadian industry and raw materials -- the Parks, Kari Levitt, Mel Watkins, and others have made excellent contributions to that field of study[50] -- much less is known of the relationships of Canadian capitalists to American capital.

Among Marxists and socialists it is often argued that Canadian capitalists are simply servants and front-men for American economic imperialism. But, in reality, the relationship is much more complex. Study suggests that a few Canadian capitalists are, at least temporarily, still members of a national bourgeoisie with few or no ties to foreign capital or business activities. **Others, the majority, are deeply involved in multinational corporate business either as dependent businessmen engaged as suppliers or distributors of American goods and technology or managers of American corporate activities in Canada**. A final group, again a minority, have reached the status of multinational capitalists themselves where they operate independently or as partners of other multinational interests. **For the latter two groups American multinational corporate ideology serves not merely as a strategic weapon for American capitalism, but provides Canadian businessmen with an explanation**

and justification of their current activities and provides a goal and model for their future.[51]

Perhaps the best example of the Canadian capitalists who have achieved partnership with foreign capital at the international level is that provided in 1970 by the creation of the 'Orion' group of financial corporations owned jointly by American, British, German and Canadian banking interests -- Chase Manhattan Corporation, National Westminster Bank, Westdeutsche Landsbank, and Royal Bank respectively. The function of the Orion group is to finance and manage multinational expansion in the Third World. With such enormous assets behind it (the parent banks possessed 58.7 billion dollars in assets in 1970[s2]), undoubtedly it will quickly make its presence felt.

The significance of Orion's creation for Canadian capitalists lies in the fact that, at the top, multinational ideology serves their interests as much as it does those of American, Japanese, French, or German capitalists. Thus at the level of Lord Thompson of Fleet with his world-wide newspaper and television empire, E.P. Taylor, and Garfield Weston with the British and Canadian commodity cartels (which are now expanding rapidly in the United States), and Noah Timmins with his vast resource holdings, Canada has become merely a geographic location, among many, where they do business. **Lesser capitalists such as the Simards, Stephen Roman, or R.A. Brown, Jr,[53] with aspirations of moving up to the multinational level, see amalgamation of their holdings with existing multinational corporations as the quickest method of reaching that level. Major Canadian capitalists do not, however, relate to national or multinational capital at a single level. They may at one time direct or manage a wholly owned American subsidiary in Canada, direct the activities of a Canadian-owned multinational corporation, and own or control one or more Canadian businesses which have no multinational interests.**

Perhaps the best example of the precise relationship between the major Canadian multinational capitalists and US capital is provided by their opposition to the attempt by Rockefeller interests to expand into Canadian banking through the take-over of the Mercantile Bank. While Canadian bankers had been quite content to oversee and, indeed, to co-operate in the takeover of Canadian industries, and to manage them once they were in American hands, it was quite a different story when the Rockefeller-controlled Citibank threatened to replace them. **As the Parks notes: 'The Canadian groups as well as the Canadian government involved are acting within limits defined by their idea of what the traffic will bear. They want the junior partnership and the profits following from it to continue. Any struggles with their US rivals and allies is over the division of profit.'[54]**

For the indigenous Canadian capitalist who has not yet entered into multinational operations, economic nationalism and strategies in opposition to the growth of multinationalism may well make good sense, both from the point of personal commitment and a maximization of personal profits. After all, when one's financial and industrial interests are entirely in Canada, a 'buy Canadian' policy is no more than good sense. One must, however, view the nationalistic protestations of these businessmen with a certain amount of reserve since most multinational and foreign-owned corporations were once owned by Canadian capitalists who, like Stephen Roman and R.A. Brown, Jr, saw their opportunity to maximize profits by selling out to foreign capitalists.

The close relationship of government and business in Canada has been too well documented to require more than a comment upon current developments. While the two old parties have always been financed by big businessmen, and important figures in the business world such as CD. Howe, Louis St Laurent, Mitchell Sharp, Robert Winters, and James Richardson have moved easily from boardroom to cabinet and back, currently even closer ties with business are being created at all levels of government.

(...)

'Practically all of the operation line branches in my department have their own more or less formal committees or advisory groups.'[56]

It is little wonder, therefore, that the federal government's policies on foreign ownership and multinational dominance reflect the same approving attitudes as those expressed by the multinational Canadian capitalists.

Equally interesting is the newly created civil service training system called Career Assignment Program. Under CAP middle level civil servants are selected for a twelve-week management course then assigned to service in university or business administration for a two-year period on an exchange basis.

(...)

In summary, the Canadian capitalist class consists of a small group of enormously powerful men whose structural relations are undergoing rapid change. **Caught up in the ideology of growth and multinationalism, the small capitalist accepts being swallowed up by a large Canadian or foreign (especially American) corporation as an inevitable process in which his disappearance as an autonomous capitalist is compensated for by his participation 'as a very junior partner of the very powerful.**

The process of consolidation of capitalism is very far advanced, but on a multinational, not a national, basis. The huge American, British, German, French, and Japanese capitalist structures all reach into Canada, while a few equally powerful capitalist structures originating in Canada reach into other countries. The ideology of multinationalism therefore has Canadian as well as foreign beneficiaries and advocates. The power of these giants, both foreign and domestically based, is greatly enhanced by their close association with government, to say nothing of their ownership and control of the media, university boards of governors and other aspects of the national ideological apparatus. In their search for international economic power, they are quite willing to accept (and indeed to advocate) the economic dismemberment of Canada and the rape of raw materials and natural resources.

Any political strategy which is based upon the expectation of an alliance with a Canadian national bourgeoisie is, I should think, doomed to be disappointed. The major Canadian capitalists are as committed to economic imperialism as their American counterparts, while the small capitalist dreams of joining their ranks when the time is ripe. Moreover, the low-level branch plant manager is, at best, a weak reed to lean on. As one observer recently pointed out, the lower-level manager of the branch plant has no room to manoeuvre. 'He's just like any other piece of equipment in that plant. If he gives too much trouble, then he's replaced. If he starts stomping around and saying, "Well, dammit, we're running this show ..." then he's in trouble." '[58]

(...end of selection -- Web ed.)

NOTES *(#1-39 on file)*

40 The best exposition of the strategic need of the US to acquire control of foreign resources is that by R. Rea Jackson, 'America's Need for a New National Economic Strategy,' *National Strategy in an Age of Revolution* (the minutes of the National Military-Industrial Conference) ed. George B. Huszar (New York 1959), 13443. Jackson represented the Rockefeller interests. See also Kari Levitt, *Silent Surrender* (Toronto 1970).

41 *Globe and Mail* (3 Dec. 1971).
42 Calculated at a 20:1 price/yield ratio from Table 15, *Incomes of Canadians,* 1969.
43 Park and Park, *Anatomy,* 51.
44 *Industrial Canada,* June 1971,13.
45 *Ibid.,* July 1971,49.
46 *Ibid.,* June 1971, 13.
47 Jackson, 'America's Need for a New International Economic Strategy,' 140.

48 *Ibid.,* 142.
49 *National Strategy,* etc., Appendix, 271. Although little known, this annual series of conferences, begun in 1955, offers excellent insight into the thinking of the American military-industrial elite, since virtually every branch of the American military, education, industry, and government was represented at the highest level.
50 The following works provide an excellent introduction to the topic of American ownership: *Gordon to Watkins to You,* eds. Dave Godfrey and Mel. Watkins (Toronto 1970); *Inter-Corporate Ownership* (Ottawa 1969); James Laxer, *The Energy Poker Game* (Toronto 1970); Kari Levitt, *Silent Surrender* (Toronto 1970); L.C. and F.W. Park, *Anatomy of Big Business* (Toronto 1962); *Report of the Task Force on the Structure of Canadian Industry* (the Watkins Report) (Ottawa 1968); A.E. Safarian, *Foreign Ownership of Canadian Industry* (Toronto 1966).
51 For example, E.S. Jackson, president of Manufacturers Life Insurance Co., in his address to the annual meeting made clear the basis for his opposition to Canadian economic nationalism. His concern was that legislating Canadian ownership would lead to retaliatory action by other countries. With about 75 per cent of its business transacted outside Canada -- more than 50 per cent in the US alone -- any legislation limiting foreign ownership might bring retaliation which would seriously affect Manufacturers Life's foreign interests. *Globe and Mail,* 23 Dec. 1971.
52 *Fortune,* Aug. 1971, 156.
53 The Simard family are strong backers of the anti-nationalist Liberal government in Quebec. Gerard Filion, the anti-nationalist president of the Canadian Manufacturers Association, is president of the Simard-controlled Marine Industries Ltd., while Robert Bourassa, premier of Quebec, is a son-in-law of one of the Simards. Stephen Roman attempted to sell Denison Mines, the largest remaining Canadian-controlled uranium mine, to US interests, while R.A. Brown Jr, president of Home Oil, attempted to sell out to US interests as well. Both the latter moves were blocked by the federal government because of the huge public outcry.
54 Park and *Park, Anatomy,* 51.
55 *Industrial Canada,* June 1970, 25.
56 *Ibid.,* 25-6.
57 *Ibid.,* 26.
58 *Toronto Star,* 18 Dec. 1971.
59 Charles K. Brightbill, *The Challenge of Leisure* (Englewood Cliffs, NJ 1963); Ralph Glasser, *Leisure: Penalty or Prize?* (London 1970); Norman P. Miller, *The Leisure Age: Its Challenge to Recreation* (Belmont, Calif. 1966).
(...)

Capitalism and the national question in Canada
Edited by Gary Teeple* (1972)

Canadian unionism

Charles Lipton
Author of The Trade Union Movement of Canada, 1826-1959*; he is currently preparing a volume on contemporary problems in the labour movement in Canada.*

(All emphasis by the Web Ed.)

**EDITOR'S NOTE:* This article was to be a chapter in Charles Lipton's book, *The Trade Union Movement of Canada, 1827-1959*. In deciding to make the book solely a text of history, he omitted this article and planned to include it in a subsequent volume on contemporary problems facing Canadian unionism. It appears here substantially as it was written in 1966. The argument he presents has become even more pertinent to Canadian labour in the intervening years. [G.T.]

CANADA'S labour history has been marked by a continuing fight for a sovereign trade union movement. How stands that fight today? The answer of the Canadian Labour Congress [CLC] **leadership is simple. They say the fight is just about won. In support of this contention they point to the Congress itself, which, they insist, is a sovereign centre. But against this cherubic outlook stand two massive facts. First, Canada's unions are mostly international unions, and it is they who are the main components of the Congress. Second, the Congress was founded during the Cold War when the bases of Canadian unionism in the chemical, textile, lumber, and other industries had been destroyed. It was founded, not as the product of the fight for Canadian autonomy, which reached a high point in the TLC** [TRADES AND LABOR CONGRESS] **Victoria convention of 1948, but as a sequel to the defeat and betrayal of that cause. Moreover, not content with the practical domination they had established, the international unions wrote that domination into the Congress constitution: a clause provides that, where jurisdiction is affected, present affiliates to the Congress, which means mainly the international unions, can vote the affiliation of new bodies. This is a clause which gives us headquarters virtual power of decision on the admission of the CNTU* and independent unions like Mine-Mill and United Electrical Workers**[UE]. Of course, a Congress convention could decide on their admission; yet weighing constantly on the Congress is the threat of dismemberment, the threat that international unions will 'pull out' and organize perhaps a dual centre.[1]
*(*The major Quebec-based Confederation of National Trade Unions -- better known today as the Confédération des Syndicats Nationaux [CSN]-- Web Ed.)*

The degree of sovereignty held by the CLC may be debatable, but there are objective standards by which the freedom of Canadian members of international unions can be measured: 1. Constitutional powers: the powers of the Canadian membership under the constitution as compared with powers of international headquarters; 2. Operative powers: the power to strike, control over funds, appointment of staff in Canada; 3. Canadian organs of control: their efficacy and effectiveness; 4. Violations of Canadian rights: their number and quality; 5. Freedom of action of the Canadian membership: in politics and foreign policy *(emphasis by the Web Ed.)*

We shall deal with each of these in turn.

CONSTITUTIONAL POWERS

The constitutions of international unions grant considerable powers to general officers. These include: approval of collective agreements; discipline of locals; granting or rejection of requests for financial aid; revocation of charters; putting of locals into receivership and seizure of their funds; installing of an international officer to run the local. Given such powers, given that the bulk of the membership is located in the United States, given that Canadians seldom constitute more than 10 per cent of total international membership, it follows that Canadians stand in a relationship of subordination to parent bodies in the US. **The point is not that international officers possess powers, for that is inherent in the constitution of any organization; nor is it the type of powers they possess. The point is that these international officers are not subject to membership in Canada, but are subject primarily to membership in the United States. That is to say, the presence of international unions in Canada is in its very nature a denial of Canadian sovereignty, and beyond that it is a denial of something even more precious -- sovereignty of the Canadian working class.**

It has been suggested that amends can be made for such a situation by inserting in the international constitutions clauses under which certain powers are non-operative in Canada. But for such clauses to have their maximum effect, they would have to provide for the complete right of self-government by the Canadian membership, including the right of seceding from the international union; and in turn, for such rights to be effective, the Canadian membership must have its own organization, its own elected officers, and its own finances. But even in such a situation -- the most ideal possible under an international union -- and even where there was a dedicated progressive leadership in the United States prepared to do its utmost to uphold the right of the Canadian membership, the element of servitude would remain, for all these Canadian powers would still be subject to the will of people in another country. **Therefore, the only sure basis for Canadian self-government in union matters is the sovereign Canadian union,' as distinct from the international union. Of course, it is inherent in the very fact of a sovereign Canadian union that it could decide to enter into a relationship with a union in the United States and that it could decide also to terminate that relationship** *(i.e., the right of self-determination for Canadian labor* **--** *Web Ed.)*

So much for the formal rights of the Canadian membership in international unions. In practice, the situation varies from local to local and from union to union. It is determined by such factors as the general level of development of the membership in given situations, their degree of mass participation, the relative weight of progressive and reactionary trends among them. It is determined also by the policies which prevail in the international union. A change takes place in the situation in the United States -- a change in leadership, new pressure from courts, Congress, the National Labour Board, the Department of Labour, the President -- and the results may soon be felt in Canada. The winds shift in the US, and all too often the House of Labour in Canada gets blown down.

OPERATIVE POWERS

A typical operative power is the power to strike. As of 1958, most Canadian locals of international unions did not have that power, not completely.[2]

Against this, the argument has been advanced -- as in the Report of the Royal Commission on Canada's Economic Prospects, 1956 -- that 'approval by International Headquarters is typically formal and granted as a matter of course.' That is not true, for there are many cases where approval is not granted -- for example, the Halifax building trades strike of 1952. **But it is not just that the contention is factually false. It is also intrinsically false. For, if the strike fund is located in the United States, if the power to ratify or vote a strike decision is located in the United States, then approval can scarce be merely 'formal.' The day will**

never come when the man who has the cash stands in a merely formal relation to the man who needs the cash.

So much for the power to strike. There are other operative powers. They include control over money and appointment of staff. As far as money is concerned, a good part of the union dues goes as per capita to us headquarters and Canadians cannot decide how it will be spent. As far as staff -- always a prime lever of US domination -- is concerned, the top officials in Canada are appointed and their salaries decided by the American officers. Of course, a chief appointee in Canada may be, and usually is, a Canadian, though sometimes he is an American who has taken up residence in Canada, as in the case of Harold Daoust of the Textile Workers Union of America and H.C. Banks of the Seafarers International Union. But the nationality of the leading union officer in Canada is not the main thing, any more than the nationality of a company executive is the main thing. Decisive is ownership and control. **In 1948, at the Victoria Convention of the Trades and Labor Congress, Frank Hall, Canadian representative of the Brotherhood of Railway and Steamship Clerks said, 'I am not responsible to this Congress... When you leave this Convention, Brothers and delegates, regardless of what disposition is made of this question, I shall still be Vice-President of the Brotherhood of Railroad and Steamship Clerks.' Hall did not say, but he could have said, that he was also not responsible to his own membership in Canada, for he owed his appointment to international headquarters.**

CANADIAN ORGANIZATION: ITS EXTENT AND CHARACTER

A basic unit of Canadian organization in the international union is the local. It has two sides. It is a Canadian body, but it is a Canadian body connected with a union, most of whose locals are in the United States. **Now, for the US locals, an international union can fulfill the function of a general union. Constitutionally, at least, the US locals can determine the policy and leadership of their organization. But that is not the case for the Canadian locals. They are often isolated from each other and so the more dependent on their links with international headquarters. And even when they are grouped in a province-wide or Canada-wide organization, they cannot determine the policies of the international union. So Canadians pay for a general union but don't get it. They are told that through the international unions they get 'big organization,' when in fact they get the opposite -- the reinforced tendency to local isolation. A Canadian Auto Workers Union of 60,000 members, a sovereign Canadian Steel Workers Union of 80,000 members, a Canadian Railway Workers Union of 150,000 members, a sovereign Canadian Teamsters Union of 40,000 members -- such bodies for Canadian purposes would be so much-more powerful than their present international union counterparts, that their sheer coming into being would entail a substantial change in the relation of forces of organized labour and capital in Canada.**

With Canadian union feeling rising in recent years, a tendency has developed for a closer knitting of international union locals in Canada. Provincial districts and Canadian districts have been set up. But even where there are such districts, though they serve as levers for expansion of Canadian autonomy, they may also serve as a lever for tightening the grip on Canadian locals, for centralizing us control of Canadian locals behind the facade of Canadian district organization; and in any case, the predominant tendency remains of comparatively isolated locals confronted by the power of the international union. This is particularly true for craft unions like the Plumbers, Carpenters, Electricians, Machinists, and Printing Trades. The problem is illustrated by three events which occurred in the period 1954-1958.

In 1954, when the Bookbinders asked for an elected vice-president, they were told that this would be tantamount to a state body in the United States asking for such a privilege.[3]

In 1955, many United Auto Workers members in Canada were demanding that a Canadian director be elected in Canada instead of at the international convention, where, it was said, Canadian delegates were subject to the pressure of the organization in the United States. That demand was rejected.

In 1956, the BC Provincial Council of the United Brotherhood of Carpenters and Joiners (UBCJ) demanded that a Canada-wide section of the union be established. As of 1964, there was no Canada-wide organization of the Carpenters.

What about the Canadian district? In 1957, of ninety-three international unions, only six had a Canadian district and a Canadian director. That covered about a fifth of the total Canadian membership of international unions. Moreover, where there is a Canadian district, that does not necessarily mean real autonomy. Is that district truly free? Does it have its own national convention of local delegates to decide policy and also leadership? Does it have its own treasury and strike fund? Does it get the bulk of the union dues spent from what stays in the locals? As of 1964, there were scarcely any international unions in Canada which could pass such a test, save a few progressively led international unions -- a special and exceptional case to be considered below.

VIOLATIONS OF CANADIAN RIGHTS

What is the record of violations? Between 1950 and 1962, receiverships were clamped on locals, local elections voided, strikes broken or denied assistance, whole unions destroyed -- the period is full of these events, involving Carpenters, Teamsters, Plumbers, Bridge and Iron Workers, Textile Workers, and many other unions -- all in all, a considerable proportion of trade union membership in Canada.

Here are a few examples: 1950, Chemical Workers. International ICWU headquarters dismisses its Canadian staff and violates the right of its Toronto local at Consumers Gas to appoint its own business agent; 1950, Rubber Workers. International headquarters of URWA dismisses entire Canadian staff.; 1951, Lumber and Sawmill Workers, Ontario. International headquarters of UBCJ seizes the treasury of certain locals of this body -- one of its affiliates in Canada -- and lifts their powers; 1952, Canadian Textile Council. International headquarters of UTWA dismisses the entire Canadian staff of this body, its affiliate in Canada; 1953, Teamsters International headquarters dismisses the Canadian director, MacArthur, and also Neil MacDonald, business agent-elect of Montreal local 106. It clamps a trusteeship on that local, and somewhat later it imposes trusteeships also on other locals, such as local 938 at Toronto; 1954, Plumbers, Montreal. International officers of the United Association of Plumbers and Steam Fitters negotiate an agreement with certain oil companies against which the members of Montreal local 144 are on strike. They do this behind the backs of the membership, and when the membership wishes to continue the strike, international headquarters denies it strike benefits. All this is a stab in the back, not just to the Montreal local, but to Quebec labour unity, for involved in that strike as well is the Plumbers union of the CNTU; 1956, International Brotherhood of Electrical Workers, BC; International headquarters of IBEW dismiss the business agent of their Vancouver local. They dispatch to Canada a phoney board of enquiry into communist tendencies among Canadian members; 1957, International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators of the United States and Canada (IATSE), Toronto. Local union protests infringements of its rights by New York headquarters. Its chief steward at the CBC charges that the local union has 'no say whatsoever in contract negotiations.' It is charged too that $3 dues are being deducted and sent to New York with the local seeing scarcely a dime; 1959, IATSE, Montreal, US interference by the IATSE reaches the point of strike-breaking during the CBC Montreal strike. Members of that union in Montreal are ordered to remove their picket lines from the CBC. The orders come from a

Canadian source -- Hugh Sedgewick of Hamilton, IATSE chief representative in Canada -- but he said he got them from New York; 1959-60, Plumbers, Montreal. International headquarters strikes at local 144's autonomy once again. It lifts the local's power to hold meetings and conduct business for a period of almost a year; 1960 Bridge, Structural and Iron Workers, Vancouver International headquarters dismisses the local union's elected officers and cancels its right to conduct its own business; 1960, United Auto Workers. Paul Siren, a UAW organizer in Canada, on the staff of that union practically since its inception in the 1930s, makes so bold as to support for office a candidate for the Canadian vice-presidency running in opposition to George Burt, the candidate supported by the Reuther administration. Not long after, Siren is peremptorily dismissed. 1962, International Union of Electrical Workers. At a convention of Canadian IUEW locals held in Toronto, international president James B. Carey ousts the Canadian IUEW president C. Hutchens and puts the eleven Canadian staff members under his personal control. One delegate protested 'we live in Canada, a democracy!' Another said, 'You can sell that stuff in the US [but] you can't sell it here.' But Carey got away with it.

The list of violations above is far from complete. Nor would a complete and updated list tell the tale; for what must be taken into account also are those further violations initiated by international headquarters in the United States but carried through within Canada by Canadian districts, central councils, provincial federations, and the Canadian Labour Congress.

These violations are but the surface expression of the deeper wrong, as with accidents and crimes. A constant conformism to avert such reprisals -- that is the greatest violation of all. Canadian members fear loss of conditions, contracts, certificates, loss of pensions and other accumulated union benefits; they fear disruption and raids from the United States, if they do what they have to do to free themselves. That does not mean they cannot do it; and sometimes not to do it may be worse than to do it. But generally caution and careful preparation are needed, and preferably co-ordination and multiple action *(emphasis by the Web Ed.)*

The number of overt violations of Canadian rights is diminished, not just by fear-induced conformity, but also by non-conformity. For the fight for Canadian rights goes on constantly, with some gains and some losses, some benefits and some sacrifices; every so often us headquarters forces a general flare-up. The result is an equilibrium between Canadian freedom and us domination. But this is not the placid harmony depicted by Claude Jodoin and E.A. Forsey. It is rather the equilibrium of struggle, the battle for Canadian unionism fought but not yet won.

FOREIGN POLICY AND POLITICAL ACTION

Since the Cold War began, there has been an identity of foreign policy between the Canadian Labour Congress (and its antecedent centres) and the AFL-CIO *(American Federation of Labor -- the conservative exclusive craft union federation -Congress of Industrial Organizations -- the more dynamic mass 'industrial' unions uniting all trades within a shop -- Web Ed.]* **More recently that identity has diminished, but in broad lines it still persists. Has US domination of Canada's unions played a part in producing this identity? Dr Forsey of the Canadian Labour Congress has said 'No.' He says that the identity is due rather to a coincidence of attitude between the free trade union movements of the United States and Canada. But what coincidence produced the coincidence? And how free is Canada's free trade union movement? What about the eleven years (1947-1962) of reprisals against Canadian union members who challenged the chief tenets of State Department policy? Of course, Jodoin and Forsey are 'free' -- free to agree with Washington. But those who disagree are not so free.**

Consider now political action. The kind of problem encountered is illustrated by what happened at the 1959 International Convention of the Brotherhood of Railroad and

Steamship Clerks. A Canadian local submitted a resolution asking that the constitution be amended to enable locals in Canada to participate in party politics. Speaking in support of that proposal, a BRSC delegate from Winnipeg (Baatable) said that the present constitutional ban on political action should not be 'applicable to Canadian lodges and members.' This the international president, George Harrison, flatly opposed. So did the resolutions committee, and the reason it gave was typically US imperialist. It said the amendment 'would be a violation of [US] state and federal laws'

It is certain that policies of this kind have slowed down labour political progress in Canada. It is certain that they have played their part in producing the situation which prevailed on the eve of the 1962 federal election, where scarcely a sixth of total union membership in Canada had affiliated with the New Democratic party, although that party had been initiated by the Canadian Labour Congress with a membership of over a million; and even where union affiliation had taken place, as in the United Steel Workers of American and the United Auto Workers, opposition of international officers to such a course was bound to bulwark those elements in the Canadian membership who for one reason or another did not want to support the New Democratic party. This was the trade union organizational reality underlying the parliamentary electoral reality, and this reality continued to operate in the 1963 federal election, when the number of successful New Democratic party candidates declined. Here we have an inkling, at least, of what international unionism means to labour's political progress in Canada.

What has the CLC leadership been doing about it? In 1962, the Canadian Labour Congress vice-president, William Dodge, went to the United States to ask those international unions whose constitutions contained bans on political action to free Canadian organizations from these bans. That was a noble mission, but one he could not press to victory because he linked to it a lie, and that lie was contained in his suggestion that these bans represented the last survival of Canadian labour subordination to the United States. But how could that be true when he was there in a foreign country asking foreigners to do for Canadians what Canadians should be able to do for themselves? The outcome was that some international unions lifted the bans, while others did not; and even in the case of those that did, that was not necessarily the final solution, for there are bans which persist in life long after they have been dropped from constitution. Where there is power, where there is control over pay-cheques, a wink and a nod may suffice.[4]

CANADIAN UNIONISM AND PROGRESSIVE UNIONISM

So far we have dealt with international unionism and its relationship to Canadian unions. But there is a superior starting point: Canadian unionism -- the total trade union movement of Canada. **Beyond that, it is the fight to free that movement from servitude to the United States, the fight for a sovereign Canadian movement. An advanced expression of that fight is the completely Canadian union. Examples are the unions of the Confederation of National Trade Unions (CNTU), the Canadian Brotherhood of Railway, Transport and General Workers (CBRT), the National Union of Public Employees (now incorporated in Canadian Union of Public Employees), the United Fisherman and Allied Workers Union (UFAWU), the Canadian Textile Council's directly chartered locals in the CLC, and CNTU independent locals, such as the Vancouver Outside Workers. In addition, bodies like the Mine-Mill Canada and the UE Canadian Council, though connected with the US, fulfil, at least in some decisive respects, the function of Canadian unions.**

The percentage of Canadian-union membership to the total union membership is a decisive index of Canadian labour progress. Its range of variation through the last half-century is shown by the following statistics: in 1911, it stood at 10.8 per cent -- a low connected with a decade of hatchet work by international unions on Canadian unions after the 1902 split in the Trades and Labor Congress; in 1935, it stood at 48.8 per cent -- nearly half;[5] in 1955, it stood at 29.5 per

cent. These figures do not include UE and Mine-Mill. In 1963, the total of members in such unions was 430,137, *including* UE and Mine-Mill, as compared with a total membership of 1,449,181, or 29.6 per cent of the total.

There is Canadian unionism and there is progressive unionism. The two are distinct, but they are also closely connected. The whole history of the movement attests to this. For example, those international unions which provide the greatest degree of autonomy for the Canadian membership tend to be the progressively led international unions. Conversely, those international unions which refuse autonomy tend to be the more reactionary unions. Those unions that are completely Canadian or virtually Canadian -- bodies such as the CNTU, the CTC, the UFAWU, the International Union of Mine-Mill and the Smelter Workers, UE, and the CBRT -- tend to be more progressive than the average international union. Many of the unions which in 1963 were not in the CLC were Canadian unions, for example those in the CNTU and the CTC; or they were unions fulfilling the functions of Canadian unions, for instance the UE and Mine-Mill; or they were international unions which had fallen out with the AFL-CIO in the US such as the Teamsters.

It might be useful here to summarize the experience of some progressive unions, and take a brief look at one reactionary union.

The UE has been virtually autonomous in Canada ever since it was founded here in the late 1930s *(like Mine-Mill, autonomous from US-'international' unionism' but in reality dominated by the similarly class-collaborationist policies of the Canadian Communist Party --Stalinist bureaucratic 'internationalism' -- Web ed.)* In 1956, this autonomy was given constitutional recognition by the UE international convention. In the late 1950s, the international Longshoremen and Warehousemen's Union took similar action. An example of the most advanced Canadian autonomy within the international unions is that of Mine-Mill. In 1953, its international convention amended the constitution to provide for its existence in Canada as a distinct Canadian entity. Subsequently, Mine-Mill Canada was established, and this was approved by a referendum vote of the Canadian membership. It is noteworthy that all three unions linked these decisions to the struggle for Canadian independence from us imperialism, the common struggle of Canadian and us workers against their common foe, US imperialism.

But more typical is the case of a reactionary international union which took a negative stand to Canadian rights, despite the energetic measures the Canadian membership took to uphold its rights. In the years 1942-52 in Canada, the United Textile Workers of America grew into an organization of 12,000 members grouped in twenty locals in Ontario, Quebec, and the Maritimes. All this work was done by Canadians. The Canadian membership struggled constantly to expand its autonomy. To this end, it set up a Canadian district which held annual conventions, elected Canadian leadership, and had its own treasury and strike fund based on per capita paid direct from the Canadian locals to the Canadian district headquarters. By 1950, a level of autonomy had been attained in the UTWA unsurpassed by any other international union. All this was the work of the Canadian district and its officers. Part of the general pattern then prevailing in the UTWA of Canada were vigorous negotiations, a constant effort to organize the unorganized and improve conditions, hard-fought struggles for trade union rights, and struggles against raiding by the rival Textile Workers Union of America. This pattern of progressivism and Canadian unionism the headquarters of international UTWA resented and feared, and in 1950 it moved to destroy the Canadian district's autonomy. This challenge the Canadian district met by establishing itself as a distinct Canadian organization called the Canadian Textile Council *[CTC],* while it retained its affiliation with the international union. In 1952, when the CTC was locked in battle with the Dominion Textile Company in Quebec in a major strike, international headquarters decided its time had come. It moved in on the Canadian organization and dismissed the entire staff. The CTC response was to sever all connections with the international union, thereby becoming a sovereign Canadian union in the textile industry. The years that

followed have brought their toll of company attacks and raids by US unions; but meanwhile, if only on an exceedingly modest scale, the CTC has persisted as an advanced base of progressivism and Canadian unionism in the textile industry.

BIG BUSINESS AND INTERNATIONAL UNIONS

Historically, it is clear that big business has tended to support international unionism where the alternative was a militant Canadian union. There is the evidence of the 1920s and 1930s: the One Big Union versus the international unions; Nova Scotia Coal Miners versus United Mine Workers of America international headquarters. There is the evidence of the 1940s and 1950s; the Canadian Seamans' Union versus the Seafarers' International Union; the Canadian Textile Council versus the United Textile Workers of America and the Textile Workers Union of America; the International Union of Mine, Mill and Smelter Workers versus the United Steelworkers of America. In all these struggles, the companies swung their weight behind the international unions.

Why does big business prefer international unions? One reason is that the companies look to the stand-pat leadership of the average international union to put a curb on the Canadian membership. Consider David Dubinsky, international president of the International Ladies Garment Workers Union: at the 1962 international convention of his union, he charged that peace marchers were, wittingly or otherwise, tools of Moscow. Capitalists in Canada see the point in maintaining connection with a person such as this: they can use reactionary leaders in the United States as a counterweight to the Canadian working class efforts for peace. Hence at Drummondville, Quebec, in the mid-1950s, the Canadian Celanese Company blocked a CNTU bid at organization, but did not shut the door tight on the United Textile Workers of America.

In a brief submitted to the Royal Commission on Canada's Economic Prospects in 1957, two federal government experts, I. Brecher and S.S. Riesman, stated: 'Headquarters officials sometimes participate directly in Canadian negotiations ... with an observable bias towards moderation and restraint ... To the limited extent that intervention from headquarters has occurred, the influence has characteristically been in a moderating direction. There are good reasons ... The top executive is frequently a well-paid group ... they would quite naturally be expected to have much the same respect for conservatism as can be attributed to any high-income managerial group occupying a position of substantial authority.'

Another reason why big, business in Canada may prefer international unions is the physical and organizational distance between the Canadian membership and international headquarters in Chicago, Cleveland, Washington, or New York. This facilitates top-level manoeuvring between management and high-placed union officers behind the backs of the Canadian membership.

Here are three examples: In 1946, the president of the Dominion Textile Company, Blair Gordon, wrote a letter to the United Textile Workers of America international headquarters at Washington, in which he asked the Americans to provide a Canadian leadership more to the liking of the company. **In 1949, there was a coincidence of activities involving the US State Department, the federal Liberal government, and the executive councils of the American Federation of Labor and Trades and Labor Congress, whose combined result was the expulsion of the Canadian Seamen's Union from the Trades and Labor Congress, the smashing of the strike conducted by the union, and finally the smashing of the union itself. In 1959, the Dominion Bridge Company in British Columbia and the international headquarters of the Bridge, Structural and Iron Workers Union conducted negotiations behind the backs of the union membership then on strike.**

It should be remembered, above all, that many of the companies are American and that their parent companies in the United States have already established relations with international unions in the US. Sometimes master agreements are negotiated in the United States and extended, with comparative ease, into Canada.

We have listed above some of the reasons why big business in Canada prefers international unions. The ultimate preference of big business, of course, is no union at all. Hence, when an international union in Canada does get involved in a struggle, big business will not hesitate to fight that union, and in that fight it may turn against the union that very quality which in the first place it found attractive -- its international character. This helps explain the recurrent big business cry of 'foreign union.' Two examples in recent years are declarations by N.R. Crump of the CPR and Fox of St Lawrence Paper. Attacks such as these would harness Canadianism to anti-labour purposes. They are attacks in force because they are aimed at a genuine weakness in the labour movement. The way to defeat them is to win the given struggle, whether it be conducted by a Canadian or international union, but beyond that to move as swiftly as possible to a completely Canadian trade union movement.

International unionism is a key link in the system of us domination of Canada. We need only look at the trade union movement and monopoly capital in the United States to see a union movement that has been more class collaborationist, less inclined to fight the foreign and domestic policies of its ruling class, more committed to capitalism than the trade union movement of any other important capitalist country. **Monopoly capital in the United States is more powerful than monopoly capital in any other important capitalist country. The result is an abnormally unfavourable balance of forces between capital and labour in the United States as compared with most other developed capitalist countries. This unfavourable balance of forces tends to be transmitted to Canada by the system of international unionism. There is a constant export of labour conservatism to Canada. It has been going on for sixty years. It has played its part in producing in Canada a labour movement of a special kind, one which in some ways is more disunited and more backward than is the labour movement of any other advanced capitalist country: one which correspondingly has failed to grasp the magnificent opportunity presented to it in the 1960s when us imperialism became weaker on a world scale while the movement for Canadian independence became stronger.(6)**

The export of labour conservatism manifests itself in various ways, sometimes directly through the international unions themselves, sometimes from the harassing activities of employer and government agencies in the United States. The unions in the United States are under constant pressure from such legislation, as the Taft-Hartley and Landrum-Griffin acts. In terms of practical politics, an international union which did not act to keep its locals in Canada 'clean' would be in the black books of anti-labour circles in the US; and when the US labour leaders are dealing with these anti-labour circles, even when they are trying to fight them, generally it is not the rights of the Canadian membership which stand uppermost; on the contrary, these rights may well be deemed expendable.

Through such chains of connections, international unions become a major link in US economic aggression on Canada. A right-wing clique dominates the us trade union movement, a clique centred in the leadership of the Building Trade unions, the International Ladies' Garment Workers Union, the Brotherhood of Railroad and Steamship Clerks, and several other unions. **It is significant that the leaders of these same unions constitute also the hard core of the right-wing in the Canadian Labour Congress. It is also significant that this Canadian clique is most fanatical in its support of US foreign policy, is most vicious in opposing Canadian autonomy and Canadian unionism, is most prone to ride roughshod over the rights of its membership in Canada, is most ready to use the Canadian Labour Congress for its own aims as it used the antecedent centres in the past, and is most ready to threaten the Congress with dismemberment, with the formation of a dual centre when, under**

pressure from the Canadian membership, the CLC begins to show a bit of opposition to US designs.

In Canada international unionism and class collaborationism through right-wing union leadership form an intermeshed, interacting combination which historically has dominated the trade union movement. This interconnection shows in the arguments used by right-wing labour leaders in Canada to justify international unionism. **'International unions for international business' was the slogan advanced by the executive council of the Canadian Labour Congress in 1960. It said that international unions provided an example of' good international relations' which had 'paid off. Just as many companies operating in Canada are American, similar close ties between trade unions members of these countries should be maintained. But what is the so-called international structure of the North American economy, if not a euphemism for US domination of the Canadian economy? And, given that domination, is it not true that the kind of labour movement this country needs is one which is sovereign and not subject to pressure from the base imperialist country?**

Not 'international unions for international business' but 'Canadian unions for international business; Canadian unions to combat international business' should be the operative slogan of the Canadian labour movement.[7]

A FIGHT ON TWO FRONTS

It is tragic that during the Cold War years, in the midst of growing us inroads in Canada, the issue of Canadian unionism was brought more to the fore. When the matter came up at trade union conventions in the 1950s and early 1960s, often it was for defensive reasons -- some new assault by international headquarters, some new chopping of heads, some new barrier to political action, some new challenge to an independent foreign policy for Canada. The issue of Canadian unionism as such has not been recognized enough as a principled question, as a principle, a passion, deeply imbedded in the reality, needs, and aspirations of the workers, one which must find its creative solution. More than ever, the continuation of the rotten system of international unionism in Canada becomes a decisive internal weakness of the organized labour movement, an impediment to its forward progress on the front of conditions, peace, and Canadian independence. Let this be recognized, and it follows that the trade union struggle in Canada cannot be conducted on one front alone but on two fronts. **The fight for militancy is inseparable from the fight for Canadian unionism, and vice versa. The fight should be conducted on both fronts, and the danger which constantly assails progressives in Canada -- that of intervention from the US -- will begin to diminish and their prospects for victory will begin to increase. And, as the fight develops on both fronts, it will become increasingly clear that the system of international unionism in Canada is not just a weak link in the chain of Canadian organized labour, but is also a weak link in the chain of American capitalism and its dominion over Canada; and this because international unionism is one of those links in the system of US domination of Canada which is most within reach of the organized workers in this country, once they decide firmly to be masters in their own house, masters of their own movement.**

We say then that, given this truth, this reality, and the basic attitude of the workers, it is tragic that in recent years there have been no serious sustained, massive battles on these issues. There have been skirmishes: for example, the debate at the Canadian Congress of Labour convention of 1955. At that convention, progressives demanded that the Congress take a stand for Canadian unionism in view of Canada's growing domination by the United States. They asked why there should be a situation where the United Mine Workers of America in Canada should not be in the Canadian Congress of Labour simply because its parent body in the United States had decided to withhold per capita tax. 'Why should we consider ourselves as children when it comes to

running our own affairs in the trade union movement?' asked Sam Jankins of the BC *[British Columbia]* Marine and Shipyard Workers Union. This was a sensible question to ask of a trade union centre founded in the name of a Canadian movement.

It will be recalled that the Canadian Congress of Labour was established in 1940 as a merger of the All-Canadian Congress of Labour and the CIO unions expelled from the Trades and Labour Congress on US orders. Between the CCL's militant Canadian origins and the right-wing clique which had come to dominate it in Cold War years, however, the gap was great indeed. The administration's response to these all-too-modest proposals of the progressives was negative. There was dark talk about people who followed 'that particular line.' More sophisticated reasons were also advanced, reasons to placate the majority which demanded something better than red-baiting. George Burt, UAW director in Canada, said Canadians were members of international unions 'because of the power we derive from membership in the international unions.'

Surely the source of the UAW's *[THEN THE UNITED AUTO WORKERS' UNION NOW THE MASSIVE –AND RELATIVELY DYNAMIC BREAKAWAY CANADIAN AUTO WORKERS -- WEB ED.]* strength in Canada is not the US membership at Detroit, but the Canadian membership at Windsor, Oshawa, and St. Catharines. Canadian auto workers are the only auto workers in the world who have an international union. Auto workers in France, Britain, Italy, the Soviet Union, the United States itself (for there the UAW fulfills the function of a national union) have national unions, not international unions, and are none the weaker for it.

George Burt referred to premier Hepburn's attack against the internationals in 1937. It is true that Hepburn in the 1930s, like Smallwood in the 1950s, was prepared to pin the US label on the union he was fighting, but his real target was the process of self-organization by Canada's industrial workers then going on in auto, steel, electrical industries, and hard-rock mining.' For that matter, if we go back to the founding years of the USWA in the 1930s, it may well be asked whether we would not have been further ahead if we had established merely working co-operation with the CIO while maintaining a completely independent organization in Canada. Certain it is, however, that the auto workers at the time, and the Left which was influential among them, decided otherwise. So Burt was turning on the very people who, rightly or wrongly but, generally speaking, sincerely, had helped bring the CIO into Canada and had helped advance him to leadership. At the 1956 CCL convention, J.K. Bell of the Nova Scotia Marine and Shipyard Workers Union reminded Burt about this, but he also added: 'It might have been all right [in the 1930s] but I think Canadians have since developed and want their own labour movement.'How then, shall we sum up the place of international unionism in Canadian labour history? In the final decade of the nineteenth century contradictions began to develop between the *substance* Canadian unionism, and the *mode* international unionism, so that the central contradiction began to be posed: *Canadian unionism versus international unionism.* This contradiction developed through the first five decades of the twentieth century. It gave rise to new centres, such as the National Trades and Labour Congress, the One Big Union, *(OBU, early crusading inclusive 'industrial' syndicalist unionism -- Web Ed.)* the Confederation of National Trade Unions, the All-Canadian Congress of Labour, and the Workers Unity League *(WUL, a brief sectarian Stalinist experiment, as ordered from Moscow -- Web Ed.)* It also expressed itself within the Trades and Labor Congress of Canada, the Canadian Congress of Labour, and its successor, the Canadian Labour Congress.

There is much that is positive in labour's history. Many a union battle in Canada, however, has been fought under the banner of the international unions; and there has been constant solidarity between Canadian and US organized workers' movements in Canada and the United States. Yet unions would have been built in Canada, and relations of solidarity would have been established between US and Canadian workers, had there been a sovereign movement in Canada and a sovereign movement in the United States. What is

positive in international unionism then is not the appearance or the mode -- international unionism, but the essence or the substance -- Canadian unionism.

International unionism has also meant strike-breaking, jurisdictional chaos imposed on Canada's workers, repeated disruption of Canadian labour unity, and persistence of archaic craft structures as opposed to a scientific plan of industrial unionism.

International unionism has imposed balkanization on Canada's organized workers. It has frustrated development of a system of Canada-wide industrial unions -- general unions proper, such as exist in Britain, Australia, France, Italy, the Soviet Union, indeed, in practically every country.

Beyond that, international unionism has meant the reinforcing of the tendency to local isolation in Canada. The constituting of central organs (trade union centres, provincial federations, city central councils) or even the constituting of a central political party such as the New Democratic party could not compensate for this lack of structural identity at the base. The result has been to hold back unification of Canada's workers for economic, legislative, and political action; and to impede the development of the kind of labour movement in Canada which could begin in a serious way to undertake central class objectives such as the shorter work day, total organization of the unorganized, Canadian independence, and peace.

The negative effects of international unionism apply also on the country as a whole. International unionism has been a major link in the system of US domination of Canada, has provided us imperialism with a base in Canada, one worth more to it than outright acquisition of a province or outright ownership of a number of major industries. Again and again, in central crises of the class struggle in Canada -- in the conscription crisis of 1917, in the Winnipeg general strike of 1919, in the fight for unity and peace during the 1930s, in the momentous struggles of the Cold War era -- the system of international unionism has operated as a major reserve of reaction to defeat the working class. It has converted Canada into a guinea pig for labour imperialism, the labour front of US imperialism; the kind of labour imperialism which, during the Cold War years, the reactionary US labour leaders, the Dubinskys, Meanys, and Harrisons, tried to impose on the peoples of Latin America, Western Europe, Asia, and Africa.

Again, international unionism has served as a vital link in the system of class collaborationism, the system of capital domination of labour from within. Again and again, the right wings in Canada and in the United States combined their forces and provided each other with a reserve of strength to prop up their domination of the unions. The result has been bad, not just for Canada's organized workers, but also for US organized workers.

The conclusion is clear. The winning of a sovereign trade union movement -- a sovereign Canadian union for each industry, a sovereign movement for the country as a whole -- stands as a central class objective for Canada's organized workers. The prime objective should be, not autonomy within the international union, but a system of sovereign Canadian unions:[8] ***(****BUT, does not 'autonomy within the international union' equal 'a system of sovereign[ty]? The problem is lack of development of rank-and-file democracy and participation by both Canadian and US workers organized in militant opposition caucuses -- Web Ed.)* Where direct action to break links is not possible, the struggle should be conducted for Canadian autonomy within the international union. **But that must mean, not just the facade of autonomy, but the content: a Canadian district, a Canadian constitution, a Canadian leadership elected by the Canadian membership, a Canadian treasury, a Canadian strike fund, and the right of the Canadian membership to secession** *(emphasis by the Web Ed.)* And even where such autonomy has been established, it should be regarded as but a second best, a transition link to the form which is proper and classical for Canada -- the sovereign Canadian union: a body which will be master in its own house, but will also be free

to establish such links of solidarity as it sees fit with organized workers in the United States or anywhere else.

This is what can prevail by the will of Canada's workers.

NOTES

1 This threat was heard in 1962-63 in connection with a dispute between the Carpenters (United Brotherhood of Carpenters and Joiners) and the International Woodworkers of America. The Carpenters walked out of the 1962 convention on that issue, and subsequently they suspended payment of per capita to the Congress. At the time, it was said that the Carpenters and some other international unions were considering the organization of a rival centre.

2 In 1958, in fifty-three of seventy international unions, permission was required from headquarters before a local could strike with full support of the union.

3 In 1960, Donald Secord, CBRT secretary-treasurer, cited a similar case. Canadian members in one international who were demanding additional rights were told that if this demand were granted, the next thing would be that Catholics and Protestants would put forward similar requests, not to speak of the people of Alaska.

4 A further indication of the policy pursued by the CLC leadership is Dodge's address to the 1961 international convention of the United Brewery Flour, Cereal, Soft Drink and Distillery Workers of America at Baltimore, Maryland. There he defined 'legislative program, political action ... foreign trade and International affairs' as those areas where there should be autonomy, and he went on to say that 'in administrative, financial and constitutional matters, autonomy is not as important.' *Canadian Labour* (Oct. 1961.)

5 This underlines the significance of the decision by communists and progressives in the late 1930s to dissolve or merge the Canadian unions established in the late 1920s and early 1930s into international unions of the CIO and AFL. That was probably a mistake, though it had its positive side, and was connected with the circumstances of the day. It is a fact, however, that from its inception in 1922 until 1964, the Communist party of Canada, though performing yeoman's work in the fight for Canadian unionism both as a party and through its adherents, has never clearly understood this struggle -- and this is one big reason for the setbacks it has suffered.

6 The use of international fraternal organizations by US imperialism in its conquest of Canada is not confined to the labour movement. It involves also various religious bodies and fraternal organizations such as Jehovah's Witnesses, the Zionists, Rotary International, the Shriners. Revealing was this incident at the University of Toronto in 1960 involving a coloured woman student who was denied membership in a fraternity. It turned out that the US headquarters of the fraternity had advised the officers of the Toronto chapter that admission of a coloured person would involve the organization in difficulties with its chapters located in the Southern United States.

7 Further evidence revealing the interconnection between class collaborationism and international unionism is the joint TLC-CCL brief submitted in 1957 to the Royal Commission on Canada's Economic Prospects. In upholding international unions, this brief advances arguments more palatable to management than to labour. It speaks about the 'moderation' of international unions. It considers ten objections to international unions. Of these, eight are employer-type objections, and only two are worker-type objections. It deals with the problem of strikes -- that is to.say, the right of Canadian members of international unions to strike, not from the standpoint of the Canadians' right to strike, but rather their *right not to strike.* That is an employer-tilted approach; for, as far as the employers are concerned, the freer the workers are *not* to strike, the better they (the employers) like it. But as far as the workers are concerned, the freer they (the workers) are to strike (implicit in which is the right *not* to strike), the better they (the workers) like it.

8 The Communist party of Canada, which should be a leader in this field, has confined itself in practice to the 'Canadian autonomy' slogan. This has been one important factor holding up progress to building a Canadian trade union movement.

Capitalism and the national question in Canada
Edited by Gary Teeple (1972)

(Part 4:)
The rise and fall of the third commercial empire of the St. Lawrence

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(All emphasis by the Web Ed.)

The political economy of Canadian development is often discussed in relation to two interrelated theories -- the 'staple theory,' which focuses on the overdevelopment of staple industry at the expense of secondary production, and the 'Laurentian thesis,' a theory of commercial empire based of successive staple trades. **In brief, Canadian history is regarded as a colonial history, characterized by reliance on more advanced economies for capital and markets. But the logic underlying the two theories has not been adequately explained, for conventional liberal studies have failed to give explicit consideration to the peculiarities of the Canadian capitalist class and Marxist studies have misinterpreted its character.**[*] **By comprehending this class as a mercantile one, accumulating wealth through circulation rather than production, one realizes that the dominance of a few staple trades leads not to independent capitalist development, but to the perpetuation of colonialism and underdevelopment.** In the preparation of this paper, special thanks are due to Michaela Faust.

(* See the critique of Ryerson in Note 41 below-- Web Ed.)

(SELECTION BEGINS FOLLOWING AUTHOR'S HISTORICAL REVIEW– WEB ED.)

(...)

CANADA IN THE AMERICAN CORPORATE EMPIRE

The high tariff structure alone cannot explain the post-war rush of American corporate capital into Canada. While the Macdonald tariff can be given the bulk of the credit, or blame, for intrusions into the secondary sector until the depression (though not of course the unprotected primary sector), the postwar influx cannot be so easily attributed to Macdonald's failure to read Ricardo.[90] The post-war period has been one of successive rounds of multilateral tariff reductions; at the same time, it has been one of unprecedented international flows of direct investment. **Hence, liberal economists who claim that the branch plant structure of present-day Canadian industry is attributable to the tariff are in the curious position of maintaining that high tariffs and tariff reduction both stimulate direct investment. While a tariff may be a partial explanation of why foreign investors set up new capacity in a protected economy, or why independent industry is established under inefficient conditions, it can never explain actual take-overs of already existing independent firms -- and these account for a major share of post-war American expansion.**

In a world where capital flowed internationally at the same speed as the Royal Navy, an interest rate differential was the signal of a capital shortage to which a portfolio flow would respond. But direct

investment is the external counterpart of the internally retained earnings of a corporation: it does not pass through the banking structure, and it responds not to interest rates, but to the future level of profits it is expected to generate. Hence it does not necessarily move to an area where capital is scarce. The converse is more likely the case. It is aimed at the most dynamic outlet, an economy that has already proven itself capable of generating the surplus to sustain real capital formation and the income to clear its product markets. This dictum is indisputable in the case of direct investment in manufacturing for sale in the hinterland. But it also holds for direct investment in resource industries; for here the investment is directed, not at the hinterland, but at the metropolitan market.

But if capital is available in the hinterland, why does not the indigenous capitalist class undertake the process of industrial development? In Canada, the process of penetration by direct investment has been aided considerably by the legacy of merchant capital, an overdeveloped transportation and financial infrastructure which drains funds away from industry. The tightly cartelized banking system cannot provide long-term risk capital, but is concerned primarily with liquidity. Life insurance companies prefer fixed interest securities and government bonds and mortgages, and invest only in very gilt-edged securities, which naturally are those of big established American concerns. In fact, the Canadian Insurance Company Act operative prior to the Second World War required that common stock investments be limited to shares presenting a continuous dividend record for seven years preceding the date of purchase. **These factors, together with the reluctance of American firms to issue minority shares in their subsidiaries, twist the Canadian capital market so that Canadian capital continues to flow into utilities, agriculture, housing, merchandising, and government bonds,[91] thus robbing industry of funds. The National Policy also submerged local industry, by encouraging branch plants which could draw on parental income when short of funds. Any part of Canadian industry that has survived the National Policy and the resurgence of merchant capital has been tightly cartelized and closely held for generations, often within the same family.**

Empires built on direct investment are the highest stage of imperialism. Mercantile empires are premised on exclusivist sources of primary staples with markets regulated by the imperial government; *laissez-faire* empires are predicated on the free exchange of staples and finished products. In both cases, the colonial surplus is appropriated through the act of exchange itself by the imposition of adverse terms of trade. Portfolio investment empires are based on self-liquifying loans, and the surplus is extracted through a return flow of interest payments. But direct investment empires are founded on the take-over of the actual production process, and they grow on their own volition by reinvestment of alienated hinterland surplus.

During the regime of British finance capital, the imperial nexus required a strong state structure to mediate flows along an east-west nexus. The National Policy produced a linear monocentric *('highly centralized' –Ed.)* political economy ruled from Ottawa by Toronto and Montreal merchant capitalists who, in urn, were answerable to Westminster. Staples flowed from west to east; manufactures from east to west; finance capital from London to Montreal and Toronto, and interest payments back to London. But the linkages under the rule of corporation capital are very different.

The new staple industries and the rise of branch plant industrialism provided the provincial governments with the means to regain the financial powers they had been robbed of by Confederation. The rise of provincial powers has been contingent upon their hastening the development of resource extraction from which they can collect royalties. The royalties and other tax sources in turn can be used to try to bribe secondary industry to locate within their spheres of authority. **In cases of direct investment in secondary industry, firms tend to cluster together to protect their market share and encroach on those of their competitors. This tendency to urbanization is not a new one. In 1913 over 70 per cent of the American branch plants were located in the seven largest urban centres. In 1934, when the number of branch and plants had almost trebled, again 70 per cent were to be found in these centres.[92] The rise of branch plant industrialism has led to the secular stagnation of rural areas, a tendency greatly enhanced by rapid resource depletion policies fostered by tax give-aways and by the rise of American corporate farming leading to bankruptcy of the family farm.** Concentrations of direct investment tend to fragment national markets and balkanize the state structure. Pressure groups and lobbies increasingly

cluster about the provincial levels of government, and federal-provincial relations degenerate into an interminable squabble over the distribution of the spoils as each province requires an increasing share of total government revenue to bribe branch plant industry or resource-extracting firms into locating in its sphere of authority. Trends in the federal-provincial division of effective power during this century reflect little more than the ratio of American direct to British portfolio investment, the first cooperating with Canadian industrial capital and the Liberal party, the second with Canadian merchant capital and the Tory party. **The advance of industrialism is normally an integrating social force producing nationalism; it is clear that secondhand industrialism is a disintegrating social force producing Pearsonian 'internationalism.'**

Indigenous industrial capitalism in Canada was historically a weak force, stultified by the domination of merchant capital and the branch plant industry the Tory group fostered to complement its mercantile scheme. Despite the impetus given Canadian industrialism by the Second World War, the generation gap between it and American corporation capital was enough to guarantee its submergence and assimilation into continental American capitalism. At the same time, the old mercantile bourgeoisie was evolving into a corporate capitalist class.

When one considers the realities of the concentration of power inherent in the direct investment process, the contention that it is a two-way stream,[93] that it involves 'interdependence rather than dependence' as Jean-Luc Pepin claims to have devined, becomes an absurdity. While a strong case can be made for the view that European and American firms are engaged in a process of interpenetration that is best regarded as a form of international oligopoly, not completely subservient to any one state structure[94] -- that is, that the corporate division of the world economy is taking precedence over the national division - the Canadian situation is exceptional.

First, *with certain very important exceptions,* Canadian ownership of US stock is widely spread out, and hence belongs in the realm of portfolio investment since it does not involve control. Second, within the United States, most of the stockholders are rentiers; directors of the corporation rule with only partial legal ownership of the common stock, while asymmetrically, in the hinterland, the parent corporation both owns and rules. Third, the outflow of Canadian investment capital that does occur is prompted, not by 'interdependence,' but by the highest stage of dependence, by the fact that parent corporations prefer 100 per cent ownership of their offspring and this effectively blocks equity participation in the hinterland. An infant industry may fail to mature because of congenital defects; it may also fail to grow up and assume responsibility because of an excessively domineering parent.[9S]

The Canadian industrial bourgeoisie has thus been relegated to the position of managing branch plants for foreign masters; of serving, McLaughlin-style, as junior partners in continental American capitalism. But it is quite different with the old mercantile bourgeoisie. The railway, banking, and financial interests began very early to establish links with the United States. By 1929 over 77 per cent of Canadian direct investment in the United States was accounted for by railways and transportation interests, the banks, and the insurance companies.[95] A large share of the remainder was accounted for by the breweries and distilleries, very old Canadian businesses with close links to the mercantile bourgeoisie. Of Canadian direct investments in the United States today that actually involve control over an enterprise, the same groups -- banking and finance, transportation, breweries and distilleries -- account for the overwhelmingly large share. And with the exception of the CPR's mining complex, the mercantile bourgeoisie typically diversified into mining and manufacturing by buying up already established concerns, rather than setting up their own.[97]

But the independent sector of the Canadian bourgeoisie, largely the descendants of merchant capital, is small in relation to the total. Control of the Canadian economy lies overwhelmingly with the branch plant group. The National Policy and Canadian federalism were uniquely mercantile creations. The industrial bourgeoisie, through the Liberal party, has usurped the power structure only to find that a necessary condition of their rise to dominance is the disintegration of the mercantile structure they long sought to control. The spread of branch plant industrialism and extractive industries breeds increasingly

greater contradictions, while the concomitant rise of provincial government powers makes them more and more difficult for the federal state structure to resolve.

The concentration of manufacturing in a few increasingly uninhabitable urban centres leaves pockets of poverty and structural unemployment scattered across the country. The dependence on capital-intensive staple exports is simultaneously the export of future employment: GNP rises rapidly, while technological unemployment rises even faster. **The growth of 'multinational' firms means reinforcement of the imitative and dependent character of Canadian industry, which means as well an increase in the amount of bribes the corporation can demand as a precondition of operation; it means that the pattern and pricing of international trade is an administrative decision taken in American boardrooms; that the choice of growth points and the extent of development is subservient to the global profit position of American corporations**. Coyne, Gordon, Kierans -- the rate of defection and dissent in establishment circles grows. Yet the response of the Canadian bourgeoisie is the expressed desire to build a foreign corporate empire of its own.

Canadian branch plant quasi-imperialism actually has a long and dishonourable history as junior partner to British or American concerns. During the reign of British merchant capital, a salt, fish, and rum trade was established between Halifax and Jamaica, which was followed in 1837 by the establishment by the Halifax Banking Company of a partnership with the London-based Colonial Bank to service the British Caribbean. During the regime of British finance capital, and until the opening of the Panama Canal by competing American shipping interests, the CPR established itself in the imperial mail service to Hong Kong and the Far East by building up a Pacific steamship fleet to complement the railways. It was the CPR's expansion in the service of British imperialism that helped prompt the American seizure of Hawaii.[98] During the same period, Canadian banks began a process of penetration into Central America and the Caribbean that has continued to escalate. The Bank of Nova Scotia followed the rum trade into Jamaica in 1889. By 1910 Canadian banks had a network in Bermuda, Cuba, Mexico, the Bahamas, Puerto Rico, and Trinidad. Apart from Jamaica, where the Bank of Nova Scotia is dominant with 45 branches, the Royal Bank of Canada together with Barclay's DCO controls most of the banking business in the eastern Caribbean. And at present, Canadian insurance companies control 70 per cent of the Caribbean insurance business.[99]

Railways and transportation concerns and utility companies too have significant Caribbean and Central American holdings. These were pioneered by William Van Home, who, after completion of the CPR, established railway ventures in Guatemala and Cuba. Van Home began his Cuban activities in the wake of the Spanish-American War, when no Cuban authority would challenge him. By 1900, his syndicate had moved into utilities, acquiring electric railway and lighting franchises in Port of Spain, Kingston, and Demerara. The utility operation, Brazilian Traction, Light, and Power (the modern Brascan), established in 1912 in tramways, railways, and hydroelectric power, also had links to the Van Home group.[100]

A series of other major Canadian utilities operations grew up -- Mexican Light and Power, Jamaica Public Services, and Canadian International Power Company Ltd. These, like the banks, are currently on the wane. For with the eclipse of the British empire, a rising nationalism was directed against them, skilfully used by Latin American leaders to divert attention from the real problem, American and British industrial, mining, and agribusiness companies.

First went merchant capital, then banking and finance, railways and utilities, and more recently hotels and playgrounds for millionaires -- all service industries either imitative of British companies or lackeys of American ones. The only significant 'Canadian' imperialist operation in the area of industrial capital has been the American-controlled Alcan. Thus, Canada's parasitical pseudo-imperialist ventures conform precisely to the pattern of development of Canadian capitalism itself, both in timing and in form.

Despite the selfless courage of a Walter Gordon or the vulgar opportunism of a J.J. Greene, the policy of the bourgeoisie throughout Canadian history has been remarkably consistent. It has been a policy of subordination to a metropole. If one metropole fails, another has always been forthcoming.

In the first empire using the St Lawrence, French merchant capital exploited *coureur de bois* **and Indian** *[First Nations]* **labour to return the rich rewards of the fur trade to the French crown and aristocracy, stultifying local capital formation and thus preventing the emergence of a Canadian bourgeoisie which would challenge their authority and that of the metropole. After the Conquest, English merchants did likewise, until the mercantile revolution in the American colonies and the subsequent border settlement destroyed the first commercial empire of the St Lawrence.**

Then Anglo-Canadian merchants, factors and representatives of British joint-stock mercantile companies, in collaboration with a Franco-Canadian landed class, intermediated flows of primary staples from the US to Britain along the St Lawrence route. **When the British industrial revolution, the triumph of the British industrial bourgeoisie over the London-based mercantile class, abrogated their special concessions and destroyed the second commercial empire of the St Lawrence, the Canadian mercantile class opted for annexation.** *[The failed Annexation Manifesto of 1849 supplanted by the two-decades long Reciprocity Treaty with the US in 1854 -- see Laxer 1996 Chapter 5 in this collection -- also note a Liberal Party Reciprocity Treaty of 1911 -- in Laxer Intro 1973; as well as another Reciprocal Trade Agreement negotiated by Mackenzie King in 1935 -- see LaxerJ-A in 1973 -- Web Ed.]*

But the Reform Movement, at the zenith of its political power, triumphed with reciprocity. Growing out of merchant capital, Canadian banking, railway, and financial interests created the Canadian Confederation to extend their intermediary activities across the continent, and relying on British finance capital and pro-British imperial xenophobia to offset the impact of the branch plant American industry that was a necessary adjunct of the mercantile system they created. Confederation represented the restoration of the old mercantile ruling class in a new guise, and their triumph over the Reform party in the wake of the abrogation of reciprocity. But they misjudged the long-run consequences of the policy. With the collapse of the British empire, Tory mercantilism, which earlier had held a substantial share of the lion's power in Canada, was a spent force in spite of its subsequent attempts to wave the tatters of the Union Jack and invoke the spirit of the CPR's man in Ottawa. The Diefenbaker years were a populist resurgence led by a backwoods squirearchy without the power previously given the party by the mercantile bourgeoisie, by this time an integral part of continental capitalism.

Industrial capitalism in Canada, a suppressed force, from the days of reciprocity until the present, through the Liberal party or its predecessors, had pursued a policy of consistent continentalism. But like the Tory party before it, the Liberal party became a victim of the contradiction implicit in a policy of imperial subordination. American industrial capitalism had transformed itself into multinational corporation capitalism, rendering the ruling class of the hinterland as a class *per se* **virtually irrelevant to the management of the northern periphery of the continental system.**

The contradiction of continuity in change resolves itself in disintegration. A Canadian capitalist state cannot survive because it has neither the material base nor the will to survive, the former contributing substantially to the latter. It remains to be seen if it can survive in some other form.

Yet in a very real sense Canada has fulfilled the dreams and aspirations of its founders. A few years before Confederation, when territorial expansion westward was being considered, George Brown peered into his crystal globe and declared perceptively, 'If Canada acquires this territory it will rise in a few years from a position of a small and weak province to be the greatest colony any country has ever possessed.'[101] History has been kind to George Brown and his northern vision.

NOTES

(...)

41. Ryerson, *Unequal Union*, 242, example, argues that Confederation was the result of a drive by growing industrial capital to harmonize tariffs among the various British North American colonies. He maintains as well (270) that there was a direct lineage between the old mercantile and the new industrial ruling classes. Somehow, within thirty years of suppressing the rebellions, mercantile capital with its long historical roots is supposed to transformed itself into

industrial capital. Creighton, too, seems to assume that his beloved Montreal merchants suddenly vanished, as if the Corn Law repeal repealed their malignant existence as well. Our interpretation will be very different. The merchants, unfortunately for all but them, remained very much in control for some time to come.

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90 As Dales, *Protective Tariff,* would have us believe. The survey taken in 1931 by Marshall, Southard, and Taylor, *Canadian-American Industry,* 199, showed that the tariff was responsible for 76 per cent of the branch plants, while the recent survey of A.E. Safarian, *Foreign Ownership of Canadian Industry* (Toronto 1966), 209, showed that the tariff was unimportant in explaining the post-war rush.

91 H. Aitken, *American Capital and Canadian Resources* (Cambridge, Mass. 1961), 120.

90 Marshall, Southard, and Taylor, *Canadian-American Industry,* 221.

92 CP. Kindleberger, *American Business Abroad* (New Haven 1969), 140.

93 See S. Hymer and R. Rowthorn, 'Multinational Corporations and International Oligopoly: The Non-American Challenge,' in CP. Kindleberger, ed., *The International Corporation* (Cambridge, Mass. 1970), and R. Rowthorn, *International Big Business, 1957-1967* (Cambridge 1971), for a refutation of the thesis outlined in J.J. Servan-Schreiber, *The American Challenge* (Middlesex 1968).

94 One consequence of this pattern of dependence has attracted considerable attention. In 1956 it was noted that 'the Toronto Stock Exchange ranks second only to the New York Exchange in volume of shares traded. For short periods it even exceeded the New York Exchange in volume.' Professor Inman's words, expressed in *Economics in a Canadian Setting,* once a standard introductory text book published by one of Canada's leading houses, Copp Clark Publishing Co. Ltd., contrast sharply with the current situation wherein the total annual demand for additional equities in Canada has been estimated to be double the supply of new issues. While fifteen American exchanges increased their trading volume by 170 per cent between 1962 and 1967, the six Canadian ones increased trading by only 38 per cent. Significantly, since Professor Inman's words were written, his textbook has been supplanted with a branch plant edition of Paul Samuelson's rave best-seller and the Copp Clark Company itself succumbed to a foreign corporation in 1963.

96 Marshall, Southard, and Taylor, *Canadian-American Industry,* 249.

97 The CPR exception can be accounted for by the fact that, unlike other railroads, it was built up largely with cash and land grants rather than bonds, and hence commenced without heavy fixed interest obligations and with a resource goldmine in its land grants, which its tendency to equity financing permitted it to exploit itself.

98 R.W. Van Alstyne, *The Rising American Empire* (Chicago 1965), 178-80.

99 K. Levitt and A. Mclntyre, *Canada-West Indies Economic Relations* (Montreal 1967), 24-7.

100 L.C and F.W. Park, *Anatomy of Big Business* (Toronto 1962), 138-9.

101 Cited tenderly in Creighton, *Dominion of the North* (Toronto, new ed. 1962), 291.

Nationalism, Communism, and Canadian Labour
(The CIO, the CPC and the CLC)

by I. M. Abella (1973)

CHAPTER 1 *(Selections -- c.1935-1937 see References)*

The CIO comes north

(All emphasis by the Web Ed.)

1935 was the key year in the history of the Canadian labour movement; it was then that the future course of the trade union movement in Canada was determined. In that year it became apparent that the Canadian labour movement would probably never be Canadian, that it would -- for the foreseeable future -- continue to be dominated by American unions.

When 1935 began, Canadian unionism, ironically enough, was at the peak of its strength. For the first and only time in this century nearly half the organized workers in Canada belonged to Canadian unions. To most observers at the time, it appeared that at long last Canadians were about to recapture control of their own labour movement. National unionism seemed on the rise and international unionism on the wane. Canadian unions were growing for more rapidly than their American counterparts. The former were plainly more militant, more vigorous, more imaginative, and thus more successful than the latter. The craft unionism to which the international unions were wedded belonged to another generation. The industrial unionism of the national unions was clearly more appropriate for the assembly lines of the 1920s and '30s. The national unions were confident that it was only a matter of time until they replaced the international unions as the dominant force in the Canadian labour movement.

For the Canadian labour movement, no period was more dismal than the 1920s. Organization was at a standstill, membership declined drastically, and union leadership was divided and paralysed. Torpidity and acrimony seemed the dismal hallmark of labour activity in this period. Though this was a decade of rapid economic development, the Canadian labour movement was unable to capitalize on these propitious circumstances. It simply could not cope with the new economic challenges of the period.

Canadian labour was then dominated by the craft-obsessed Trades and Labor Congress *(TLC -- the Canadian craft union federation --Ed.),* **an affiliate of the American Federation of Labor** *(AFL -- the US craft union federation --Ed.)* **Both organizations seemed moribund in the face of the rapid advances in size, scale, and technology being made in such relatively new industries as electrical appliances, automobiles, chemicals, and rubber.** These new industries could not be accommodated within their existing craft structures, and the AFL and the TLC were not willing to change their organizational policies *(It being argued, with some justification, that both were little more than skilled labor "job trusts" under which workers' skills are arbitrarily separated and personalized --ed.)*

The rise of mass-production industries and new modes of production called for new and more aggressive methods of organization. To both the AFL and the TLC, dominated by conservative craft unionists, the very thought of organizing unskilled workers was anathema. Since the beginning of the century the AFL and the TLC had beaten back all attempts to introduce industrial unions into the mainstream of the North American labour movement. They doggedly refused to organize along industrial lines and attempted to exorcise those unions which did. They believed, and continued to believe throughout the 1920s and '30s, that only the most skilled, and thus least replaceable workers should be organized. **With the exception of unions in the mining and clothing industries, the AFL and TLC consisted almost entirely of skilled workingmen in craft unions. They were select organizations whose membership made up the elite of the labour movement; they wanted nothing else but to maintain their status and be left alone.**

The industrial work force in Canada had proliferated rapidly throughout the 1920s and was demanding to be organized. Yet, hidebound, the TLC perversely clung to its craft mentality. It launched no organizing campaigns, hired few organizers, and spent little money. In a time of rapid economic expansion, the TLC consciously chose retrenchment and consolidation. It succeeded in neither. By the end of the decade it had lost much of its membership and was on the verge of bankruptcy. It was impotent, rudderless, in total disarray, and its very survival seemed in the balance.

To compound the TLC'S problems, new labour organizations had sprung up in the 1920s and early '30s, challenging its control of the Canadian union movement. The first of these -- the Canadian and Catholic Confederation of Labour -- appeared in 1921 in the province of Quebec. It was a confessional union dominated by the Catholic Church and was strongly nationalist. Because of its connection with the Church and its opposition to international unionism, the CCCL was able to attract a substantial number of Quebec workers who felt that the American-dominated TLC was not paying sufficient attention to the unique problems of the French-Canadian workingman.

In 1927, the second new labour centre -- the All-Canadian Congress of Labour (ACCL) -- was founded by unions expelled from the TLC for their advocacy of industrial unionism and their unyielding antagonism to international unionism. Led by the powerful Canadian Brotherhood of Railway Employees, these unions, *(along with --Ed.)* the tiny Canadian Federation of Labour, the remnants of the One Big Union, and a host of smaller national unions, began a campaign against the TLC. They denounced international unionism, and condemned the TLC for its docility and its opposition to industrial unionism. The ACCL also launched a mildly successful campaign to seduce other unhappy TLC affiliates into its ranks and to organize new unions.

The third new national union -- the Workers' Unity League *(the parallel WUL, set up by the Stalinists of the Canadian Communist Party during the Soviet Union's ultra-left "Third Period" --Ed.)* -- was founded in 1930 and was the most radical and aggressive of the TLC's competitors. It consisted of industrial unions in the mining, clothing, lumber, and textile industries. The WUL was the only labour centre committed to organizing not only the unorganized but the unemployed as well, and it was also the only one willing to use the strike as a weapon against both employers and governments. Though its leadership was Communist *(under the direction of the pro-Soviet Stalinist CPC --Ed.),* most of its membership was not. The WUL was

a national union made up entirely of Canadian workers in Canadian unions. Yet, significantly, important policy decisions affecting it were not made in Canada, by Canadians, but in Russia, by Russians. *(More precisely, by Canadian Stalinist union leaders faithful to Soviet "peaceful co-existence" politics --Web Ed.)*

In 1935 the combined membership of these three national union groups -- the CCCL, the ACCL, and the WUL -- equaled that of the TLC**. As the depression deepened and the TLC remained immobile within its obsolete craft structure, it seemed only a matter of time before the national** (*multi-craft "industrial")* **unions would eclipse the international** *(single-"craft")* **unions and alter the balance of power within the Canadian union movement. Labour in Canada would finally be truly Canadian.**

Then, suddenly in 1935, the national union movement was felled by two crushing blows. Though few realized it then -- and even fewer cared -- two decisions made that year, one in Moscow, the other in Washington, destroyed Canadian unionism. Since then, national unions have never again been numerous or powerful enough to challenge American unions for control of the Canadian labour movement. *(In reality, the "other, Washington...decision"...signaled what has been called "*Labor's Giant Step—Twenty years of the CIO*, Pioneer Publishers, New York, 1964" by Trotskyist labor historian Art Preis. See also* John L. Lewis: an unauthorized biography, *(the great coal workers' leader who literally kick-started the CIO) by Saul D. Alinsky, Vintage books, 1949 & 1970 – Web Ed.)*

The first of these blows was struck at the Seventh Congress of the Communist International *(under the decisive influence of the Stalinized Russian Soviet party).* The Communist party sounded the cry for a united front of the working class around the world to destroy fascism. On instructions from Moscow, the party in Canada ordered the dissolution of the Workers' Unity League. Unions affiliated with the WUL were instructed to join the TLC "to strengthen the trade union ranks and to lay a solid foundation for a broad united front movement against fascism and against another imperialist war." **There was fierce opposition to this 'ukase' from many quarters both within the Canadian Communist party and the Workers' Unity League. But the party leadership was inflexible. It ordered even the most unyielding opponents of international unionism to return to the fold of the TLC; there could be no exceptions. Thus, on orders from Moscow, the most militant national union in Canada unilaterally disbanded and turned over its entire membership to the American-controlled Trades and Labor Congress. It was a blow from which the national union movement was not to recover.**

The second ruinous step was taken in Washington. There, immediately following the annual AFL convention, a handful of frustrated union leaders met to discuss their problems. They were enraged and humiliated by the convention's contemptuous rejection of their attempts to get the AFL to launch organizing campaigns in the mass-production industries. Called together by John L. Lewis of the *(US-based --ed.)* **United Mine Workers, these unionists decided to create a new organization within the AFL which would facilitate organizing along industrial lines. Thus the Committee for Industrial Organization -- the CIO -- was born. It would not become apparent for several years that the formation of the CIO doomed whatever possibility there remained of creating in Canada a labour movement, the majority of whose members belonged to Canadian unions.** *(Nevertheless, although the driving principle of all-inclusive democratic "industrial unionism" was imported into Canada, it only took*

root under the leadership of it's inspired and militant Canadian CIO organizers, where in fact the CIO notably surged forward --Web Ed.)

Immediately on its creation, the CIO became the voice for the millions of workers in the United States crying out for organization -- cries that previously had been disdainfully ignored by the AFL. Led by John L. Lewis and his United Mine Workers, and propelled forward by the New Deal *(US President Roosevelt's Keynsian solution to the Great Depression of the 30s --Ed.)* labour legislation, these "new unionists" successfully defied the regressive leadership of the AFL**.** Under the aegis of the CIO**,** vast organizing campaigns were launched in the mass-production industries and within months several million unorganized and largely unskilled workers were brought into the AFL. Aghast at this influx into the organized labour movement of what the AFL Teamster president, James Tobin, called "riffraff ... good for nothings ... and ... rubbish", and fearful of the radical ideas of these aggressive, militant new members, the AFL at first suspended and then finally expelled the CIO**.** But it was all to no avail. The CIO continued its massive organizing campaigns in the steel, automobile, rubber, smelting, and electrical industries. And, sparked by victories in the sit-down strikes in the rubber plants in Akron *(Ohio)* and the automobile plants in Flint, by April of 1937 it had a membership approaching four million.

In Canada, however, during this same period, the CIO accomplished little. In fact, it had no intentions of moving into Canada -- at least not until it had completed the formidable tasks confronting it at home. But Canadian workers were impatient and restive. Captivated by the glamour, the excitement, and the monumental breakthroughs of the CIO campaigns in the United States, they desperately pleaded with it to come into Canada. On their own, without informing the CIO**,** scores of ex-WUL *(the defunct Stalinist federation -- Ed.)* organizers began organizing CIO unions in Canada. The director of the Communist party's trade-union section, J.B. Salsberg, traveled to New York and Washington and begged the CIO leaders to launch campaigns in Canada. He returned empty-handed. There was just too much to be done in the United States, he was told, before the CIO could think of funneling any of its resources and efforts into Canada.

Disappointed but determined, Salsberg and other party stalwarts accelerated their efforts on behalf of the CIO. Within months these men, and a handful of others, had organized hundreds of new workers and scores of new CIO locals. Yet not one CIO organizer nor one cent of CIO money had crossed the border. All the organizing had been done by Canadians with no help -- nor even encouragement -- from the CIO. Indeed the CIO was not even aware of what was being done in its name in Canada.

Finally, midway through 1936, bowing to the relentless pressures from north of the border, John L. Lewis agreed half-heartedly to allow some CIO activity in Canada. He appointed the director of the United Mine Workers in Canada, Silby Barrett, to organize the Nova Scotia steel workers into the Steel Workers Organizing Committee (SWOC). Concentrating on the Dosco plant in Sydney where he was well known and where the employees already had a plant council, Barrett succeeded in signing up 2600 of the 2900 workers in Local 1064 of SWOC**.** Though Dosco refused to bargain with the new union -- and did not until

the Nova Scotia Trade Union Act, passed in April of 1937, compelled it to recognize the SWOC bargaining unit -- the CIO had gained its first real foothold in Canada.

In the rest of Canada, however, except for locals of the United Mine Workers in Alberta and the Amalgamated Clothing Workers in Toronto and Montreal, there was no official CIO organization. But at the request of the Communists *(Stalinist CPC -- Ed.)*, in August 1936 Lewis sent a SWOC director, Leo Krzycki, to address a meeting of steelworkers in Hamilton. Somewhat disingenuously, Krzycki told his audience of the great breakthroughs made by the CIO in Canada. After Krzycki's speech, the steelworkers voted to join SWOC and to ask Lewis to set up a SWOC office in Hamilton.

(...)

But Lewis had not taken into account the growing demands of Canadian workers for organization. These were most evident in Ontario. With the worst of the depression over, industry after industry began announcing record profits and issuing optimistic reports for the new year. Workers, on the other hand, were still being paid depression wages and were growing increasingly more restless. With the example of the CIO sit-downs just across the border, it was only a matter of time before Ontario workers would rebel both against their deplorable working conditions and their overcautious union leadership. The flash point was reached in March of 1937 at the Holmes foundry in Sarnia.

(...)

(...)The first CIO sit-down in Canada was an ignominious failure. The battered and bloodied strikers were taken -- some were carried -- to court and convicted of trespassing. No charges were laid against the strike-breakers.

Many people in Ontario were shocked at this apparent injustice. Sam Lawrence, the lone CCF member in the Ontario Legislature, asked Attorney-General Arthur Roebuck in the House what the government intended to do about the treatment of the strikers. Before Roebuck could answer, Premier Mitchell Hepburn jumped to his feet and shouted emotionally, "My sympathies are with those who fought the strikers ... Those who participate in sit-down strikes are trespassers, and trespassing is illegal in this province ... There will be no sit-down strikes in Ontario. This government is going to maintain law and order at all costs." (...) [10]

There is little doubt that Hepburn's warning was aimed, not at Sarnia where the CIO had been bloodily repulsed, but much closer to home, to the bustling industrial city of Oshawa, less than forty miles from Hepburn's office in Queen's Park, where some local men were actively organizing a union, which in a few short weeks, would more than anything else mark the birth of industrial unionism in Canada.

(...)

(...) As the *Daily Clarion* **correctly pointed out, the Oshawa strike (at General Motors) was "the dawn of a new era ... for the CIO victory in Oshawa ... has broken into the hitherto unorganized and terrorized mass production industry." At a rally of the strikers both Millard and Cohen stated that the settlement was a tremendous victory for the CIO, and that any attempt to claim that the union had not been recognized was, in Millard's words, "just child's play." The strikers then passed a**

resolution "affirming the alliance with the UAW and the CIO with which our union is affiliated" and sent it to Hepburn.

That the settlement was less than a victory *(for himself and GM – Ed.)*, even Hepburn was ready to admit. In the words of the *Financial Post,* he had hoped to demolish the CIO in one great stand, but had succeeded merely in "holding it at arm's length." Even George McCullagh, editor of the *Globe and Mail* (who later took the credit for Hepburn's anti-CIO stand), admitted that the settlement at Oshawa was not the body-blow to the CIO he had hoped for.

***T*he achievement of the Oshawa strikers in fighting and defeating both the power of big business and government inspired workers throughout the country. It gave the CIO the impetus it so badly needed to begin organization in the mass production industries of the country. Hepburn gave the faltering CIO drive the boost it required to make it the threat he and his mine-owner friends had feared. Just as Roosevelt became the "best organizer" for the CIO in the United States, so, in a negative way, Hepburn became the CIO's most successful organizer north of the border.**

(In this way, by 1937 the most powerful economic defence tool of the Canadian working class -- industrial unionism, born and fought for simultaneously in the US and Canada, was won in this country; however it was yet to be consolidated until the great battles of steel and auto during and following World War 2, 1939-1945-- Web Ed.)

Nationalism, Communism, and Canadian Labour
(The CIO, the CPC and the CLC), 1973, by I. M. Abella

CHAPTER 11 *(Selections -- c.1935-1937 see References)*

Conclusion

(All emphasis by the Web Ed.)

By the end of 1952 the basic conflicts within the Congress *(the Canadian Labour Congress-CCL --Ed.)* **had been resolved. With the expulsion of the left-wing unions, the explosive Communist issue which for so long had tormented the Congress had been defused --** *(i.e., the struggle with the Stalinist-controlled unions, seriously compromised by decades of bureaucratic leadership, were formally outlawed by the CLC -- Web Ed.)* **With their victory at the 1952 convention, the international unions were now clearly in control of the Congress. This is not to say, however, that the voices urging autonomy for the Canadian labour movement had been stilled. On the contrary, many of the international union leaders, particularly Millard, were in the forefront demanding for their Canadian unions increased independence from the American parent organization. What it did signify, however, was that Congress policies -- organizational, political, and economic -- would now be completely in line with those agreed upon by the large international unions.**

The Congress envisaged by Conroy and Mosher, a Congress in which the national affiliates and the chartered locals would be numerous, powerful and rich enough to withstand the incursions and override the demands of the international unions, proved chimerical. The resources of the international unions, as first Conroy and then MacDonald realized, were insurmountable. On the other hand, Conroy's foremost achievement, the attainment and guarantee of the complete autonomy of the Congress from the CIO, proved unassailable. Decisions made by the Congress executive and approved by the convention were binding on all CIO affiliates in Canada whether the CIO approved or not. For example, in 1952 the Congress decided to raise the monthly per capita tax on all affiliates to ten cents despite the formidable opposition of the CIO. For several years this decision caused a great deal of friction between the two organizations. The matter was finally settled only when the CIO gave in to Congress demands. ***Though controlled by its CIO affiliates, the Congress none the less maintained its autonomy from the CIO.***

With its internal dissensions largely reconciled, the Congress devoted most of its energy after 1952 to a merger with the Trades and Labor Congress (TLC, old Canadian craft-union federation). Closer ties with the TLC had always been a primary Congress objective. At its very first convention, and at every subsequent convention, resolutions were passed calling for co-operation and joint action with the TLC. These were usually ignored by the TLC. An attempt by the Congress in 1941 to sponsor a meeting of representatives of the CIO, the AFL (US-based conservative craft-union American Federation of Labor -- Web Ed.), and the TLC was rudely rebuffed by the TLC. Similarly, efforts on the part of the Congress to present joint legislative programs to the government were rejected, as were Congress requests to exchange

fraternal delegates at conventions. At its 1944 convention, the Congress set up a permanent committee to meet with TLC representatives to discuss the question of unity between the two organizations. But all Congress efforts to hold meetings were spurned.

By 1950 it seemed that the attitude of the TLC had changed. In a period of six months the two labour centres issued joint statements supporting the United Nations' position on Korea, calling on all their affiliates to support the strike of the seventeen railway unions, and warning the government against compulsory arbitration of this strike. The TLC even agreed to present a joint brief on price controls to the government and to set up a joint consultative committee with the Congress, the railway unions, and the Catholic trade union movement in Quebec. But, because it was not satisfied with the consultative committee and felt that it had gained little by joining it, at the end of 1951 the TLC withdrew.

In 1953, the TLC was faced with an entirely new situation. The deaths of Philip Murray and William Green in late 1952 had removed two of the larger obstacles in the way of a re-merger of the AFL and CIO**.** In April 1953 representatives of both these organizations met "for the purpose of exploring the possibility of achieving organic unity" between the two federations. This resulted in a "no raiding" agreement between the two. Soon afterwards the TLC publicly urged all its affiliates to desist from "raiding" CCL organizations in order to facilitate the "eventual" merger between them. And on 3 December 1953, the TLC executive set up an "exploratory" committee to hold talks with the Congress. Several days later the Congress executive named its own committee of Mosher, MacDonald, Burt, and Millard...
(...)

(…) **On 9 May 1955, the terms of the merger agreement were unanimously approved by the unity committee. These were ratified by the TLC at its convention in May and by the Congress at its convention in October. On 23 April 1956, the two Congresses met together in Toronto and created the Canadian Labour Congress** *(the current dominant CLC --see below--ed.)* **After nearly two decades of separation, the trade union movement in Canada was once again united.**

The merger was perhaps inevitable. From the outset the division in the labour movement had not been the result of a decision made by Canadians. Rather, it had been forced on them by developments in the United States. There had not developed in Canada that hostility and bitter rivalry between the two labour organizations that had racked the trade union movement below the border. The upshot was that the merger in Canada was, in Eugene Forsey's words, "a more perfect union," than that in the United States where the two labour bodies could not even agree on a name for their newly created organization. Thus, while the TLC unhesitatingly accepted the CCL'S suggestion that the new labour centre be known as the Canadian Labour Congress, their two counterparts in the United States refused to give up their distinctive names.

***I*n the history of the Canadian labour movement no event is more significant than the arrival of the CIO. It came into Canada in the one period in this century when it appeared as if Canadians might regain control of their own labour movement** (but also in a period in which Canadian labor embraced the concept of 'industrial unionism' which it proceeded to organize independently, before the issue of local autonomy arose --Web ed.) But the advent of the CIO doomed that hope. Ironically, the CIO did not even want to come into Canada; it was dragged in. **From the beginning, CIO activity in Canada was more the**

result of the forceful demands and activities of the Canadian workers than of the plans of the CIO hierarchy in the United States. Taking their cue from fellow workers in the United States, Canadian workers started their own organizing campaigns on behalf of the CIO. The reaction of the CIO leaders was, however, something less than encouraging: in fact, they urged Canadian workers to hold back.

Dismayed by the apparent apathy of the CIO, Canadian workers took matters into their own hands. All over the country tiny locals began springing up, calling themselves CIO, but the CIO in the United States had no knowledge of these locals. Throughout Canada, but especially in Ontario, small groups of dedicated men were organizing for the CIO, again without the CIO's knowing of them. Within a few months, the CIO found itself with scores of unions and hundreds of workers it did not want, and even worse, did not know what to do with.

For the workers of Canada, CIO was a magic name. Wherever they heard it, they flocked; whoever used it, they trusted. Canadian workers obviously felt that the CIO magic would rub off on them; what the CIO was achieving for its members in the United States, it would also achieve for its members in Canada. And even though the CIO was not yet ready to expand into Canada, Canadian workers insisted. Protesting, the CIO was dragged unwillingly into Canada. But even then it did little to help Canadian workers. It did not disown any of the unofficial CIO organizers in the country; but, on the other hand, neither did it assist them in any way. **Indeed, it was on the assembly lines of Oshawa and Sarnia, and not in the union offices in Washington and Detroit, that industrial unionism in Canada was born. It was not John L. Lewis nor any of his representatives who brought the CIO to Canada; it was the body-shop workers in Oshawa and the foundry workers in Sarnia who were responsible.**

Canadian workers had no hesitation at the time in joining an American union. Having just suffered through a ravaging depression, Canadians were understandably more concerned with material benefits than national identity. They felt they had no choice but to join forces with their fellow workers to the south. After all, their problems were the same, their traditions were similar and in many cases, their employers were identical. **Above all, the CIO seemed to have more to offer them than any Canadian union. It had the personnel, the large treasury, and most important, the experience, to provide the Canadian workers with the organization they so desperately required.**

Or so Canadians thought. But in fact, the personnel, the treasury and the experience were not provided by Americans; they were largely Canadian. All the CIO provided was its name. It seems quite clear that the major CIO unions in Canada -- the UAW *(auto),* **Steel, UE** *(electrical workers)* **, Mine-Mill, and the IWA** *(lumber & woodworkers)* **-- were basically organized and financed by Canadians with little, and often no help from their parent organizations in the United States. Naturally, there were times when financial and organizational assistance from the United States was indispensable. But it is also true that often Canadian funds poured across the border to the aid of insolvent CIO organizations in the United States**. It was largely the SWOC check-off in Sydney, Nova Scotia, for example, that allowed its American parent organization to survive in 1940 when John L. Lewis broke with the CIO and stopped the flow of Mine workers' funds into the SWOC treasury. Dues from the IWA in British Columbia and Mine-Mill in Northern Ontario were also vital in keeping their parent

organizations afloat. The CIO had been founded with huge subsidies from the United Mine Workers and the Amalgamated Clothing Workers. In Canada, however, these unions were less generous. Their entire grant went for organization in the United States; there was little left for Canada.

Thus, from the outset, the CIO in Canada seems to have been largely the work of Canadians, not Americans.

If this analysis is correct -- and all the evidence seems to support it -- then it raises some interesting questions. If almost all the organizing for the CIO was done by Canadians; if almost all the money needed for this organization was provided by Canadians; and if almost all the leadership in the new unions was provided by Canadians; then who needed the CIO**?** What did the CIO do for Canadians that Canadians weren't doing for themselves? Was the CIO in fact necessary for the development of an industrial union movement in Canada? *(While Canadian working-class nationalist sentiment is based on the fact of US economic domination, Canadian workers' solidarity with the concept and vast achievement of American workers' industrial unionism is only natural and immensely favorable; notwithstanding the evolving bureaucratic development of business-unionism among the leadership of the US-CIO, which later regarded Canadian CIO locals as additional vassal "state" locals* -- Web Ed.)

The one deduction we can safely make is that, at the time, Canadian workers obviously believed that the CIO ***was*** necessary. For the Canadian workingman old traditions die hard. Because he felt that American unions had been essential in the past, despite the drastically changed situation of the 1930s, he obviously believed they were still essential. Caught up in the "continentalist" ideology, and in the belief in the superiority of things American, Canadian workers were preconditioned to join American rather than Canadian unions *(the issue of union autonomy --often involving a greater degree of militancy -- not yet having arrived, as well as the aspired to principle of autonomous and democratic international unions -- Web Ed.)*

Unlike those of the AFL, the leaders of the CIO readily abdicated most of their responsibilities in Canada to local people. **As a rapidly expanding organization in the United States, the CIO could spare neither the time nor the energy for the Canadian situation. As a result, organization in Canada was left largely in the hands of the Canadians themselves. The leaders of the CIO in Canada were mostly native-born, their experience was almost completely Canadian, and their interests were almost exclusively Canadian. At the outset they were scarcely concerned with labour developments in the United States. These factors combined to make the merger with the militantly nationalist All-Canadian Congress of Labour much easier to achieve. Ironically, however, though they had done much of the organizing for the CIO themselves, these men were extremely loyal to the American organizations. Whenever the interests of international and national unions clashed, invariably they supported the former** *(because among the upper strata of union leaders, some of whom later became entrenched business-union 'bureaucrats,' their allegiance to the US headquarters became important for their careers -- Web Ed.)*

Because of the initial strength of the ACCL forces within the new Congress, the merger turned out to be more of a coalition, with the nationalist ACCL elements pushing in one direction, the CIO in the

other. As the CIO forces grew increasingly more powerful, however, the coalition soon became decidedly lop-sided. The strength of the CIO unions forced the Congress to follow paths inimical to the interests of the national unions. But at the same time, the Canadian-born leaders of the CIO made certain that the limited autonomy of their unions, as well as that of the Congress, would not be jeopardized by any dictates from the CIO.

Conventional wisdom has it that the relationship between the CIO and the CCL was between equals. As one noted student of the labour movement, Professor Paul Norgren, described it in 1951: "The CCL has been free of any domination by the CIO and the relationship between the two organizations has remained entirely amicable." After his exhaustive study of international unionism in Canada, John Crispo *(right-wing Canadian historian --Ed.)* concluded that the CIO "appears never to have had ... designs ... to interfere in the affairs of the CCL," and that the CIO fully sympathized "with Canadian aspirations for independence." *(No doubt to be a proven superficial assessment over time -- Web Ed.)*

Unfortunately these analyses are simply not true. Between the CIO and the CCL, there was always a great deal of tension and animosity. One would have thought that the CIO should have stayed out of the CCL'S affairs, since the development of CIO unions in Canada was largely the work of Canadians. But right from the beginning the CIO was insistent upon showing the flag in Canada -- the American flag, that is. For a time it stubbornly refused to allow its unions in Canada to merge with the ACCL for fear they might sever their international connection. When the Canadian affiliates overcame this opposition the CIO then demanded that the newly created Congress devote all its energies to organizing workers into CIO unions. It also insisted that the CCL hand over to the appropriate CIO union its national and chartered unions and desist from organizing any more of these unions. This provoked a bitter squabble since the CCL received most of its revenue from its national and chartered unions and not from its affiliated CIO unions, most of whose revenues went to the United States. And whatever funds dribbled back across the border from CIO headquarters in Washington to the CCL offices in Ottawa, the CIO insisted be used for solely CIO purposes. **In addition, over Congress objections, the CIO demanded that the CCL accept as affiliates all CIO unions in Canada, and that all jurisdictional disputes among Canadian CIO unions be settled in the United States. After lengthy acrimonious disputes, the CCL usually -- but not always -- got its way on all these matters.**

The key man in warding off the designs of the CIO was the CCL'S dynamic secretary-treasurer, Pat Conroy. He had been elected to this key position because he was a member of a CIO union -- the United Mine Workers of America. But after a few short months in office he found himself spending a good deal of his time fighting the CIO. According to him, the aim of the CIO was to make the Canadian Congress of Labour its "satellite." Conroy felt that the Canadian labour movement had been for too long a satellite of American unions, and that it had finally arrived at a stage of its development where it needed a central labour body of independent decision making authority. It was his job, as he saw it, to give the CCL that authority.

On the other hand the CIO was not prepared to give the Congress that authority, at least not without a fight. To the CIO, the CCL was no different from any CIO state council. Like any state council it was obliged to accept all CIO dictates. With the support of the national unions, Conroy

desperately fought these CIO pretensions. Unfortunately, led by Millard, the international unions in the Congress usually sided with the CIO. Increasingly exasperated by the attitude of the CIO and its affiliates in the Congress, in 1951, frustrated beyond endurance, Conroy resigned. With his resignation, the fate of the national union movement was sealed. The centralizing efforts of the CIO had triumphed over the nationalist aspirations of the CCL.

Because of these differences in outlook and the consequent bickering between the two factions, the Congress's organizing efforts were not as successful as they otherwise might have been. Mosher, Conroy, and their allies in the national unions demanded that more organization be undertaken on behalf of the chartered locals. Millard and his allies in the CIO unions called for more aggressive efforts amongst unorganized workers who fell within the jurisdictions of the international unions. There were perpetual disputes over the allocation of various Congress locals, the CIO unions demanding that they be turned over to the appropriate international union, the national unions that they remain chartered locals of the Congress.

Within the Congress inner circles there was also a constant power struggle between these two factions, climaxed by Mahoney's abortive attempt for the office of secretary-treasurer in 1952. Though Mahoney was defeated, by that time the international unions, whom he represented, had emerged triumphant. There seemed little either the Congress leadership or the national union forces could have done to change the result. **The strength of the international unions was just too great to be overcome, most especially since the vast majority of Canadian workers were indifferent to the conflict. The question of American control of their unions did not disturb them as much as the question of higher wages, better working conditions, and more job security, all of which seemed dependent on the muscle provided by the American connection. And since most of them were working for American-owned companies, why should they be overly concerned if their unions were also American controlled?** *(Testament to the fact the conservative mood of the workers paralleled their lack of Canadian nationalist consciousness-- Web Ed.)*

Nevertheless, despite these internal pressures, the CCL did achieve a great deal to benefit the trade union movement in Canada. Under the terms of the merger agreement which created the Canadian Labour Congress in 1956, the ALF loosened its firm grasp over its Canadian affiliates and agreed to follow the pattern forced on the CIO by the Congress. The CLC was thus from the start, as the first paragraph of its constitution stipulated, an "autonomous Canadian Labour Centre with full powers over all labour matters in Canada." Most large AFL unions also followed the lead of the larger CIO unions and set up Canadian districts and national offices for their affiliates. ***T*hus the struggle of Conroy and Mosher had not been in vain. As a result of their efforts, the international unions within the Canadian Labour Congress agreed to recognize Canada as a separate entity, to grant their Canadian affiliates a limited independence, and to treat their members in Canada differently from members in the United States. This was to be the CCL'S crowning achievement.**

To some, of course, the greatest contribution of the Congress to the Canadian labour movement was its expulsion of its "Communist" *(Stalinist-led -- Ed.)* unions. Certainly, the expulsion of these left-wing unions, though hasty and somewhat crude, did significantly lessen the influence of the Communist party in the Canadian trade union movement. But it seems that this action was neither necessary nor wise. *(The*

expulsion of the Stalinist-led unions was in gross violation of their democratic rights but was to a degree provoked by the CPC's sectarian, left reformist and anti-CCF/NDP politics -- Web Ed.)

At the time of their expulsions, the left-wing unions were relatively insignificant in both membership and influence within the Congress. They'd had neither the strength in numbers nor the influence to elect any of their adherents to the Congress executive nor to affect any of the decisions made by the CCL. Though they were "troublesome," "noisy," and did oppose many of the Congress policies, these were hardly sufficient causes to have them thrown out of the CCL. In most instances, the party people were good unionists, and the left-wing unions certainly provided the necessary services to their members. In fact, without the contributions and activities of these party people and their left-wing supporters, the task of organizing workers into the CIO and the CCL in the late 1930s and early 1940s would have been immensely more difficult. *(Their expulsions were a direct result of the McCarthy witch-hunt in the USA abetted by the CLC's red-baiting -- Web Ed.)*

Yet in the immediate post-war period these men - and their unions - who had done much to build and strengthen the industrial union movement in Canada were ruthlessly ejected. Caught up in the anti-Communist hysteria which hallmarked the late 1940s and early 1950s following the Gouzenko disclosures, and concerned about its image and what the affiliation of the "Communist" unions was doing to that image, the Congress patriotically decided to rid itself of its left-wing membership. This was accomplished without too much difficulty or even much soul-searching. The Communists had to go and ways were found to expel them. That these ways were brutal and perhaps even unconstitutional was irrelevant. What was important was that they achieved their purpose. By 1951, the Congress was "cleansed" and could then devote its energies elsewhere. *(The author here totally ignores the history of the McCarthy era and its devastating persecution of labor politics of all hues -- Web Ed.)*

(...)

It was Communists under the able guidance of J.B. Salsberg who helped organize most of the CIO unions in Canada in the 1930s. The large CIO unions, Steel, Auto, Electric, Woodworkers, Mine-Mill, and Textile, were organized at the beginning by Communists and were all, at one time or another in their history, dominated by the party.

(...)

Textile organization in Canada, were all active members or supporters of the party, as were a host of other nameless, young, dedicated organizers who spread out the length and breadth of Canada in the 1930s to bring unionism to the unorganized.

(...)

The history of the Canadian Congress of Labour is studded with great successes and, at times, great failures. Its contributions to the Canadian trade union movement in the fields of collective bargaining, labour legislation, and political organization are significant, but are beyond the scope of this study. Suffice it to say that under its leadership hundreds of thousands of unorganized and largely unskilled workers were brought into the trade union movement. It succeeded in organizing these workers where many previous attempts failed. **Above all, it succeeded for the first time in establishing an industrial union movement in Canada. And though it failed to check the advance of American unionism into Canada, it found a way to accommodate it -- to provide the Canadian workingman with the protection and power of the international unions he so desperately wanted, and yet, at the same time, to attain for the organized**

labour movement in Canada that degree of autonomy it so badly needed. *(Thus the author evades the fact that independence of Canadian unions should not be a matter of principle, but demanded as an alternative to the bureaucratization -- the empire building -- of the so-called 'International' (exclusively US-based) unions' respect for the autonomy of their Canada brothers and sisters -- Web Ed.)*

(end)

(Canada) Ltd.: *The Political Economy of Dependency*

Edited by Robert M. Laxer, 1973

Foreword

Robert Laxer *(Sr.)*

(All emphasis by the Web Ed.)

(CANADA) LTD., THE POLITICAL ECONOMY OF DEPENDENCY is at once an analysis and a strategy. As a scholarly work, the book is distinguished not only by its cogent analysis of Canadian society in crisis, as a dependency moving towards colonial status in the American Empire, but by its strategy to change that society towards independence and liberation.

While other scholars may lend their talents to the esthetics and the rigour of an argument or to the internal consistency of their models, this book concentrates on the real world of political economy, on the struggles of working people for jobs, a higher quality of life and independence ior their country. 1'he logic and method of the authors derives from the contention that to understand the world is to be involved in changing the world.

In contrast to the view that the social sciences should examine society with detachment and stand above the world of political conflict, political economy analyses the world dynamically in the context of practical experience and creates a strategy to transform the world. In this discipline, analysis and strategy are closely linked -- for not only is strategy based on analysis, but the test of strategy in practice is at the same time a test of the analysis and the need for its modification with experience.

Thus political economy, as a discipline devoted to changing as well as explaining the world, is a challenge to current views of the role of the social sciences in Canadian universities. **From the standpoint of political economy it is wrong for Canadian university departments of social sciences to treat Canadian dependency as if it were a happening in outer space. It is wrong not simply on the ground that Canadian universities should guard the interests, culture, and promise of the nation which nurtures them. It is also wrong because the failure to deal with the Canadian reality leads to poor scholarship. The favoured practice in most departments is to import inappropriate models from the metropolis. The consequence is that much of the academic work on Canada falls short of explaining the Canadian social structure and its status of a U.S. dependency**. What is even more important from the standpoint of political economy is that most studies do not begin to produce a strategy designed to overcome that dependency. And therein lies the weakness of the academic social sciences -- divorced as they are from the world where people and social forces confront each other in the real political economy, in the struggle to discover social alternatives which Academe has not even begun to consider.

STRUCTURE OF THE BOOK

The structure of this book on Canada's political economy is therefore based on a method and an explicit logic. The first six chapters focus on contemporary and historical aspects of the dynamics of the economy, while the last six take up questions broadly political relating to ideas and institutions which contend for supremacy in Canada.

The opening chapter provides a broad historical perspective. It also contributes a new hypothesis, in discovering the historical roots within the Canadian political economy for the particular form and nature of the trade-union movement in Canada -- a thesis which is likely to stir new arguments in the running dia-

logue over Canadian *vs.* U.S. unions in Canada. The financial-commercial business class in Canada is displayed under the glare of historic scandals and its checkered career as sales agent of Canada's resources to the highest bidder. The chapter on the role of social classes in Canadian society subjects the viewpoint of Porter in his *Vertical Mosaic* to critical review, and demonstrates the validity of the concept of class in all social analysis. The role of women in Canadian history and contemporary society receives novel treatment by rooting the analysis in the context of a study of the political economy and by examining women's position in the work place as the ground from which to launch their full liberation. Resources as the chief reason for three empires' exploitations of Canada are presented as the chief issue around which may be fought the struggle for Canadian independence. The decline of Canadian manufacturing in terms of its weight in the GNP and the work force -- the thesis of de-industrialization -- receives its first treatment in this volume, within the broader context of a developed anti-imperialist analysis.

From these six chapters the book moves into the area of the state and other broad ideological and class-laden issues. **There is a promising beginning in the attempt at a precise definition of the role and nature of the Canadian state, as a state -- neither colonial nor imperial, but controlled by American corporations as seniors and Canadian financiers as juniors -- a dependent capitalist state in the American empire**. Serious study of the labour movement has just recently begun in Canada; an historic approach rooted in a study of the political economy promises to lay bare the roots of American and business unionism in this country. The history of the CCF-NDP -- of social democracy in Canada -- needs far greater study than can be given justice in one chapter. The role of liberal culture in a dependent, colonial-minded society takes a new departure in a chapter which suggests the need for several volumes. Quebec nationalism as a phenomenon of contradiction and inner class conflict begets an historical-developmental approach which emphasizes objective analysis, rather than the favourite English-Canadian pattern of prescription for Quebec.

As made explicit earlier, the alternatives facing Canada flow logically from the chapters on its political economy and an examination of the ideas and institutions which are in contention in Canadian society. The concluding chapter gives the reader a summation of the streams of arguments and then presses for a choice.

In the twelve chapters of this volume, the authors examine the alternative analyses and consequent strategies for Canada's future.

The most fundamental issue for scrutiny is that of the spreading presence of the U.S. corporations in Canada. All the authors in this volume start with the assumption that there is a sharp dividing line between two basic approaches which will increasingly contend for public support in Canada. **On the one side -- and this broadly includes the Liberals, Conservatives and the NDP -- are those who feel they can live with the multi-nationals.** They would prescribe good corporate citizenship, government regulation and screening of foreign companies and pluralist checks and balances in a well ordered liberal-reformist or welfare society. **On the other side are those who confront the American empire with a basic socialist critique and a far-reaching strategy of public ownership.**

The consequences of each analysis and related strategy are far from the vapid academic exercise of building an aesthetically pleasing model to explain the data. A liberal-reformist analysis grants merit points as well as demerits to the integration of Canada into the technologically most advanced economy in the world. It offers steady, although begrudging, support to the continental drift. It leads logically to a hinterland mentality of bartering resources for the finished goods of the advanced metropolis, with the hope that assembly-line manufacturing and supply depots will remain profitable to the U.S. companies and leave some jobs in Canada.

An anti-imperial analysis, on the other hand, views continentalism as a crushing blow to the Canadian people and the promising potential of an alternative society free from the exploitation and decay of the empire of Standard Oil and the I.T.T. *(US telecommunications giant.)* **It projects a society to open opportunities through an expanding economy in which resources create employment in Canadian manufacturing instead of serving as unprocessed raw materials for export abroad.**

DE-INDUSTRIALIZATION AS A MAJOR THESIS

Probably the most crucial aspect of the analysis presented in this volume is the thesis of de-industrialization. The drive to de-industrialize Canada is not only a strategic aim of U.S. government policy as it tries to solve the crisis of over-production, now aggravated by its inter-imperialist rivalries with Japan and Western Europe. Such a policy to shift manufacturing and jobs to the U.S. has received official support from the top leadership of American labour.

If the proposition is upheld, that de-industrialization is the most important result to Canada of integration in the American empire, the consequences are frightening. But they are more than just frightening. The thesis can become a tool, a rallying cry for Canadians to join the movement for independence through socialism and socialism through independence.

This thesis may prove the best answer to those who would decry theoretical analysis of modern imperialist systems as the idle exercise of impractical academics. It is our contention that the theory of de-industrialization as a consequence of imperial dominance will have more practical consequences for the future jobs, economic security, and quality of life for Canadians than any single explanatory concept on the Canadian horizon. The debate between its protagonists and opponents will engage Canadians in a highly practical dialogue on the country's economic alternatives. This particular debate represents a new stage in an older dialogue on Canada's future which George Grant opened up in his *Lament for a Nation.*

Grant's lament for Canada's early demise as an independent nation was born of a despair that Canadians were too deeply colonialized within the American empire to opt for a socialist alternative to satellite status. Public ownership and planning of the Canadian economy -- the only alternative to continentalism which seemed workable to Grant -- was a price Canadians would not readily pay for their sovereignty. It followed, therefore, that Canada's ruling elite, chief Canadian beneficiaries of integration, would sustain the drift to a final surrender. That was 1965.

Four years later, in the spring of 1969, a group of Canadians defied the logic of continental inevitability and gathered to write a hopeful call to Canadians for an independent socialist Canada. In the *Waffle Manifesto,* there was a challenge to the myth that Canadians are so fixedly anti-socialist that they would abandon their country's sovereignty rather than choose public ownership and control of resource industries, large-scale manufacturing and financial institutions.

Some journalists who saw this as a threat to their myth-making soon rose to do battle. Several days after the *Waffle Manifesto* had been unveiled at an Ottawa press conference in September, 1969, Douglas Fisher predicted in his syndicated column that the group who planned to take the document to the Winnipeg federal convention of the NDP in October. 1969, would be fortunate if they mustered 15 votes at that convention. As it turned out, the NDP establishment headed by David Lewis, Dennis McDermott, Tommy Douglas, John Harney, and Ed Broadbent failed to crush this new declaration of Canadian independence through socialism. The *Waffle Manifesto* garnered 288 ballots, 36 per cent of the votes cast. The Waffle group, continuing as an organized group went on to challenge the established NDP view of foreign ownership and nationalization for the next three years.

The debate within the NDP ended in Ontario in June, 1972, at the Provincial Council meeting in Orillia with the expulsion of the Waffle as an organized group. It revealed more than a difference over tactical formulations. Lynn Williams, now director of District 6 of the United Steelworkers of America, the most powerful union within the NDP, put his finger on the basic differences. **At the Orillia Meeting he declared that there were "two ideologies" within the NDP and that there was room tor only one in the party. Whatever the merits of his argument that the NDP should not tolerate two basically different viewpoints within its ranks, his reference to two ideologies contributed to clarity**. *(The author ignores the fact of previous long-term struggles of Socialist- and Left-Caucuses and the repeated expulsion of youth as well as adults from the CCF-NDP as alleged adherents to being a "party within a party" inside the CCF-NDP since the 1930s – which these caucuses denied , as their alleged contradictory ideology was in fact demonstrably a practical, viable and legitimate alternative program to that of the leadership, as recognized*

by its substantial support at many conventions – See the 1983 Left Caucus Manifesto *elswhere – Web Ed.)* Williams' formulation of two ideologies had the merit of defining the set of views and the program supported by the dominant wing of the NDP and the trade unions as a full-blown political and economic ideology. In contrast to some would-be pragmatists who claim that what guides the NDP are current existential experiences, Williams' designation pointed squarely to the underlying differences in the national debate.

As later chapters prove, Canada is in the grip of the economics and politics of dependency. The large American companies and Canadian financial institutions command not only the strategic heights of the economy -- they are also masters of the Liberal and Conservative parties and the state institutions over which they preside. Increasingly, Canadians turn a skeptical eye to the gyrations of these two business parties. For while Canadian sovereignty evaporates they continue to appoint endless commissions on the national economy, on energy requirements or regional development. Many Canadians feel loss of control over their futures. They are uneasy about the squandering of non-renewable resources to corporations south ot the border when hundreds of thousands ot Canadians search vainly for rewarding jobs. Their dreams of rising incomes within an expanding economy have been dashed by inflation, rising costs of food and rents, and an insecurity that has not been known since the 1930s.

At the intuitive level they grow distrustful of the Liberal party, whose continentalist history includes the reciprocity election of 1911, the post-1945 agreements with the U.S.A. such as NORAD and Defence sharing, the Auto Pact of 1965 and the vast handovers of Canadian resources to U.S. enterprises. They are equally suspicious of the Conservative Party, whose unseemly haste in helping to sell Canada to their U.S. seniors has not distinguished them under Diefenbaker or Davis from the brokerage of Pearson *(Lester, Prime Minister 1960s),* Trudeau *(Sr., Pierre, PM*) or Bourassa *(1960s Premier of Quebec.)*

If it is also demonstrated (as it is in this book) that the NDP, too, is wedded to a variant of continentalism, then the array of forces which originally led to Grant's pessimism in 1965 may appear unconquerable. Yet these continentalist forces, from right to left, are afflicted with one fatal flaw, which may be their undoing. Much of this volume is devoted to demonstrating the growing contradictions which bedevil the American empire and the world imperial system and the direct consequences which such contradictions will bear for Canada.

IS THE NDP AN ALTERNAIVE TO CONTINENTALISM?

Although all parties in Canada ignored the multi-national corporations and their role in the federal election campaign of October, 1972, the corporations did not disappear. The issues for Canada became more acute than ever during the "energy crisis" of 1973 with the prospect of a full-blown continental energy scheme. **Even as the rate of Canadian export of oil to the U.S. reached over a million barrels a day in February and March 1973 -- half of our total production -- Donald MacDonald, federal Minister of Energy, Mines and Resources, continued to deny that rising oil exports and plans for a Mackenzie Valley Pipeline constituted de facto Canadian integration into a continental energy arrangement.**

In the winter and spring of 1973 there were also predictions that the Canada-U.S. Auto Pact would either be abrogated or its safeguard provisions allowed to lapse. What some protagonists saw as a boon to Canada in its trade talks with the U.S., that is, bartering the Auto Pact safeguards in exchange for a guarantee of large U.S. markets for our gas and oil, others viewed as a dual disaster for Canada, as an acceleration of the de-industrialization process and Canada's devolution into a resource hinterland for the U.S.

In various parts of the book, analysis of the NDP leads to conclusions about its role which might be designated as the left-wing of continentalism. *(The author here falsely equates the equivocating politics of the leadership with the entire party -- Web Ed.)* Such a designation of the NDP arises inherently from the study of the Canadian political economy, from the logic which leads to a socialist-independence strategy for changing Canadian society. Since the Liberal and Conservative parties are the chief buttresses of the *status quo,* one would not expect such an analysis and socialist strategy for independence to engage its supporters to the degree that one would predict for the NDP.

For the CCF-NDP has enjoyed hegemony over progressive politics and radical thought in Canada for several decades. It has been the centre of the debates and hopes of people committed to rebuilding Canadian society. It follows, therefore, that a critique of the Canadian political economy with socialist solutions as the only alternative to Canadian dependency would have particular meaning for the NDP and its trade union affiliates.

Although there are several references to the role of the NDP and the trade union leadership in Canada throughout the book, it seems useful to make explicit and to elaborate the findings, of the authors at the outset. **The NDP is central to the debate because many Canadians who are committed to radical social change have pinned their hopes on that party. The effect of the book's analysis of the political economy will be to sharpen the debate among those who desire social change in Canada. An important result of the book will then be to focus attention on the role of the NDP historically, and on its ability to analyse the significance, of American imperial domination of Canada. An even more important test is its potential to undertake a tough strategy to counter such imperial dominance.**

To illustrate the extent of the sharp divisions in the two sets of analyses, two groupings of inter-related statements are presented. The first questions: "Is there an organic link between: (a) the hesitancy of the NDP and trade union leadership in Canada to confront the American empire, (b) their opposition to large-scale nationalization as a solution to U.S. suzerainty, (c) their support for American-dominated unions in Canada and (d), the control by these same American-dominated unions, through their officers, of the federal and Ontario NDP leadership?"

Conversely, the second question is: "Is there a logical connection between: (a) the view that an effective confrontation of American imperialism in Canada requires public ownership of resource and other major industries and the banks, (b) that a mass challenge to the corporations requires fully independent Canadian unions and, (c) that the Canadian people need a socialist party that stands forthrightly for Canadian independence and independent Canadian unions?"

Authors of the book contend that each set of these elements constitutes a chain, the organic unity of an analysis and a political strategy -- an ideology, if you will. The reader may question the validity of some of the statements presented as links in each of the two chains. If he does, the reader is urged to scrutinize the evidence and to return at the end of the book for a re-examination of the claim that the case is logically consistent.

Palpably, there are views and platforms which appear to stand somewhere between the two poles of liberal continentalism and socialist independentism. This, however, does not gainsay the proposition that there are basically two options, and that the intermediate positions are really variants of either one or the other of the two ultimate polarities -- axes around which future Canadian politics are likely to rotate. Although an analysis and a strategy are basic components of either of the two polar positions, one could conceivably suggest a separation of any proposed strategy from the analysis which precedes it. Thus, some supporters of the Committee for an Independent Canada might argue that theirs is a variation of an anti-imperialist theme, but that they cannot accept socialism as the answer to U.S. dominance either on grounds of principle or on George Grant's earlier grounds of a lack of popular support. **The point, then is to challenge those who reject an independent, socialist Canada to chart an alternative route to Canadian sovereignty. This forbidding task they have yet to perform. It is a task which George Grant thought impossible eight years ago when he despaired of winning Canadians to the one and only alternative to U.S. control -- massive public ownership of Canada's economy.**

What has changed since 1965 is not the validity of Grant's description; the trend to de-industrialization has added further weight to the anti-imperialist critique. The main change since 1965 in the search for a practical alternative is the basic shift in public opinion towards public ownership as a solution.

A recent Gallup Poll (March 1973) asked Canadians: "Do you think that -- the Canadian government should nationalize our oil and gas -- that is, own and operate them, or do you think private enterprise should still control them as at present?" Results "showed that 48 per cent opted for "nationalization" as

compared to 36 per cent who supported "private enterprise." More Liberal and Conservative supporters backed nationalization than free enterprise. In the case of NDP supporters, the backing of nationalization was over three times as large as for free enterprise (69 per cent to 22 per cent).

First reactions of Liberal Donald Macdonald of the Federal Government and Conservative Darcy McKeough of the Ontario Government were to attribute this Canada-wide opinion to ignorance of the issues involved. If only people knew better, they would embrace the continentalism of corporate private enterprise with unreserved affection -- using Canada's resources as the ace in the game of profitable barter.

For the NDP this poll *(the March 1973 Gallup Poll –Web Ed.)* **has destroyed the favourite argument that the Canadian people abhor nationalization and that for electoral advantage it is unwise to press for public ownership. The 48 per cent of Canadians who apparently support nationalization of energy resource industries do, after all, constitute two-and-one-half times as many people as those who voted for the NDP federally in October 1972.**

But at least two further steps are needed to extract the meaning of the poll's results. First, on the background of de-industrialization and the evolving continental energy scheme, the logical exercise proposed is to ponder the reversal in the December, 1972 convention of the Ontario NDP of a policy of public ownership of energy resource industries. **This policy had been adopted by an overwhelming majority at the October, 1970 convention of the Ontario NDP when the Waffle was still in the party as an organized group. From this evidence it is difficult to avoid the conclusion that there has existed a systematic pattern of resistance by the NDP and trade union leadership to an anti-imperialist analysis and strategy. The question then arises: since the nationalization of energy resource industries and perhaps even nationalization of other resource industries now have popular backing in Canada, will the NDP now move to write these into its platform? Will the NDP reverse its 1971 federal convention opposition to public ownership of resource industries?**

This is by no means excluded from their *realpolitik.* Social democratic parties like the NDP, such as the Labour Party of Great Britain, have often included a degree of nationalization in their platforms. It should be added, of course, that in practice they have generally placed the least profitable sections of the economy under public ownership -- those capitalist enterprises which required bailing out by the public purse (like the CNR in Canada) and which did not in the end benefit the working people. **Inclusion of some nationalization in an NDP platform would not cause surprise nor dismay for those who want to get on with nationalization as a solution, because such a demarche would mean that the people had readied themselves for the next stage of the struggle for independence.**

WILL C0-OPTION WORK?

Experience shows that when a telling analysis about economics and politics has been accepted by the people, it becomes a material reality and that all political forces have to try to deal with it. Efforts to co-opt issues are perennial. They are evidence of a growing understanding of the need for radical changes. The example of what happened in Quebec in the 1960s is instructive. This was a time of important political change, in which traditional forces and parties such as the Liberals and the Union Nationale co-opted issues to stem the tide to radicalism. Thus did Quebec Hydro come under public ownership with Lévesque as a minister in the Lesage cabinet. Educational reforms brought thousands of youth into colleges and universities and created a new social force. This group began to press for greater opportunities for the French language in Quebec and for a radical reorganization of Quebec society. Trade unions gained strength by taking advantage of reformed labour laws designed to contain them within a liberal purview. A new mood of militancy and a class-consciousness emerged. In the last few years they have begun to move from business to social unionism, to union policy which challenges the very system within which the new collective bargaining laws were to co-opt them. The consequences of this classical effort at co-option of popular ideas was to promote those very issues and in due course to encourage involvement of new social groupings among working people and students. **Since then the popular mood in Quebec has overflowed the traditional channels and has opened new ones outside the Liberal and Conservative parties, and**

even outside the PQ *[PARTI QUÉBÉCOIS]* and the Créditistes *(Quebec wing of Social Credit).* **Apparently, co-option of radical issues does not necessarily lead to their impotence, because co-option does not usually resolve the issues themselves but often moves people from traditional to radical political expressions.**

Co-option may work if the demands for change cover limited social objectives. This has been true of specific educational or civic reform movements, or the attempt to stop expressways. William Davis of Ontario did that with the Spadina expressway prior to the Ontario election of 1971. This has happened to the civic reform movement in Toronto, when Conservatives and Liberals led the movement into blind alleys.

But the dynamics of co-option can play tricks with its manipulators, if the popular mood is for social changes across the board. For example, resources and resource industries affect Canada in a whole variety of ways. The range covers jobs for skilled and unskilled, research opportunities, investment policy, inflation, the price of energy and other products, ecology, planning for manufacturing and-regional development, building a broader base for financing of public endeavours such as education, and indeed Canada's overall future. ***Touch one, touch all! While some people move on one front, others move on other fronts! The movements interpenetrate, deepen each other and raise popular confidence. Co-opting one issue may not work, therefore, because other issues demand attention. Co-opting the ecology movement, for example, or the movement of the native peoples on the Mackenzie Valley Pipeline would not stop the movement for nationalization of energy resource industries, because the Mackenzie Valley is only the tip of the iceberg.***

The growing movement on energy resources has in it industrial workers who demand jobs and future energy supplies at low prices; there are socialists who press for nationalization as an overall solution to independence; there are auto workers who watch the antics of a government ready to trade their jobs (Auto Pact safeguards) for guarantees of bigger U.S. markets for oil. It is now a problem of the dam springing leaks everywhere.
Co-opting one issue only points to other issues that need attention; and when other co-option begins to fail, liberalism and social welfarism are in historic trouble. Co-option is like a split personality which seduces but which does not deliver; instead of the desired action it produces only unrelieved frustration. The built-in weakness in the co-option technique is that the appetite roused by traditional forces in raising the issues cannot be assuaged by the established means of sending the electorate to vote for alternate establishment parties every four years.

The NDP might adopt some modicum of nationalization in its electoral platform: the objective result of which would be to further move peoples' thinking to the socialist alternative. For the NDP as a party this poses a contradiction which will eventually push its supporters far beyond its leaders. Such a flawed contradiction is unavoidable in the life of those who presumably espouse the cause of working people while supporting or critically tolerating a continentalist drift *(thus before its being outlawed as a tendency within NDP, Waffle was about to adopt tactics and principles parallel to those of Left and other Caucus -- Web ed.)*

If then, the NDP tries to co-opt the nationalization issue -- for exampIe by advocating a Crown corporation in the energy field to compete with Imperial Oil, Texaco or Shell -- will that stop the Canadian movement for nationalization of all energy resource industries? Quite the opposite, for such an attempt is likely to show the inadequacies of limited public ownership. If public ownership of some oil and gas industries is possible, then why not of all energy resource industries?

And now for one further step in the sequence. If, perchance, nationalization of all Canadian resource industries were to become a major platform of the NDP and of the unions affiliated to it, could nationalization of Canadian unions be far behind? Lynn Williams and his colleagues in trade union officialdom would then be required to move from an "ideology" of tolerating U.S. domination and opposition to large-scale nationalization toward the policy which they rejected at Orillia in June, 1972. Stranger things have happened in history, as witness the radicalization of the three top labour leaders in

Quebec and their call for "breaking the system." **But this new reversal would require a direct confrontation with the issue of American domination of unions in Canada. Such domination is the Achilles heel of Canada's official labour movement -- for no movement towards Canadian independence can be half-shackled and half-free** *(for example, Canadian local union activists might demand that independent Canadian federations move forward to win the right of recall of all elected officials, whose salaries would not in any case exceed those of skilled workers in the trades they represent -- Web Ed.)*

The change in public opinion since 1965 and 1969 is not an epiphenomenon *("a phenomenon which seems to result from another" --Websters)* whose explanation lies in a discovery of the elusive Canadian identity or in an ephemeral mood of anti-Americanism. Nor is it to be explained as primarily the result of the skillful articulation of the public ownership position by a group of persuasive socialist independentists, although their part has been important. It is the contention of the authors that this change is rooted in the change in Canada's economy -- the main source of changes in political institutions and political thinking. Canadians have become much more aware of American domination because this domination has not only increased in scale and intensity, but because it has had a more direct impact on the lives of working people. Plant shut-downs, unemployment (even among university graduates and teachers), visible crises and potential disasters in Canada's energy and resources policy, particularly in relation to manufacturing -- these and other factors such as steeply rising prices have begun to threaten people's security.

It is in the context of the actual changes and dislocations in the political economy, in the direct effect it has had on the economic position of working people, that the alternative of public ownership finds fertile ground. Without such a change in the economy, advocacy of public ownership would fall on deaf ears.

Herein lies a source of difference in analysis with the approach of George Grant or of Abe Rotstein -- who have contended that public ownership of basic industries and banks is a Utopian idea that has no roots among the people. **Our viewpoint here derives from the proposition that predictions about the potential movement of people towards or against an idea must start with developments in the political economy. Grant and Rotstein have perceived the pervasiveness of the multi-national corporation and have exposed its threat to Canadian sovereignty. What has been lacking is an understanding that the thrust of de-industrialization and plant shut-downs, combined with resource sell-outs, would riot only rouse the anger of a few sentimental nationalists but would set millions of Canadians into political motion to challenge the disaster which faces them. It is this underestimation of the potential of the working people to rally to Canada's defence which leads to Grant's or Rotstein's pessimism about the socialist option.**

Pessimism about Canada's future is thus rooted in an incomplete analysis of the political economy, an analysis which necessarily includes the reaction of people to changes within that economy. This returns us to the earlier contention about the separation of strategy from analysis. The conclusion of those who would separate an anti-imperialist analysis from a socialist strategy by arguing for the first but rejecting the second is now patently impractical. The point being added is that the faulty strategy proposed by the C.I.C. flows from a faulty analysis, an analysis which is at best incomplete.

It is not the idea of public ownership, attractive in some abstract humanist sense, which has given it the force of broad public support. It is the conditions of economic life which are pressing the people towards independence through socialism.

Therein lies the optimism or more exactly the confidence of those who argue for the strategy suggested in the concluding chapter. The confidence does not arise from the optimistic personalities of the writers; the confidence arises from the perception that large historical forces in Canada are joining the battle of independence against continentalism.

The authors, several of whom wrote the original draft of the *Waffle Manifesto,* derive confidence in their analysis from the now evident movement of people towards the public ownership position. It is a confirmation of their thesis and prediction that changes within the Canadian political economy would move

people towards public ownership. Social sciences are not noted for accuracy of prediction. The fact that the 1969 Waffle thesis has been borne out *(e.g.,* by the Gallup poll on public ownership of energy resources of March, 1973) in the face of such widespread pessimism lends additional weight to the soundness of their hypothesis.

THE RULE OF THE DISINHERITED -- A SECOND THESIS

Along with the major thesis of de-industrialization and the companion strategy of public ownership to counter it, a second major thesis forms a cornerstone for much of the argumentation in this book. The thesis is that there exists in Canada one potential social power to counter de-industrialization and win Canadian independence. This social power consists of those 75 per cent ot Canadians who work for private capitalists or state-controlled bodies in non-managerial jobs -- the working class. This second major thesis of the book likewise derives from an examination of the dynamics and contradictions of Canada's political economy, and not from a sentimental attachment to the moral superiority of those who live by their sweat instead of their dividends.

In several chapters, the authors present the historical evidence that the Canadian business class were never predominantly industrial in their orientation, and that the main source of their income and power has always been their financial and commercial enterprises. In this role they have acted out the typical part of dependent capitalists, not that of entrepreneurial captains of industry -- such as those who led the business classes in England or the U.S., Japan or Germany to heights of imperial power. **For the Canadian business class, who never developed an independent industrial base in Canada, de-industrialization is not a particularly disturbing prospect. As long as the Canadian financiers can continue to be the "honest" brokers in the sale of Canada's resources to U.S. enterprises and secondarily serve as merchants for Canadian imports from abroad, so long will they plan to share with their senior foreign partners in the bounteous life which Canada has offered them during the past two centuries.**

Within the confines of their world of political economy there is truly no alternative to Canada's integration into the American empire. Nor is there an alternative to the dominant position in the Canadian economy and the Canadian state of such U.S. giants as Imperial Oil, General Motors, or International Nickel. **If private profit is the source of all the expansionist adventures which befall a "free" country, then it makes little sense to bother about an alternative to Canada's continentalist course. For truly there is no greater income for those Canadians whose lot it is to live thereby than through partnership with the most advanced, computerized and automated enterprises. Fully 75 per cent of Canada's GNP is currently produced through these foreign corporations. What basic alternative exists for Canadian capitalists who play by the same capitalist rules as these American corporations, even if they were to heed the pleas of a few nationalist businessmen in their midst?** The two-way process of their integration into the American empire and the U.S. corporations' integration into the core of the Canadian economy and the Canadian state has gone too far for them, even if they have occasion to regret their historic follies. This group cannot now reverse the continentalist tide of de-industrialization of Canada.

Furthermore, their favourite argument that an independent Canada would mean a loss of income has a ring of truth or at least of partial truth. For certainly the only course that could lead to Canadian independence would mean a loss of income to the financier class, the class which has specialized in selling Canada abroad *(this class might therefore earn the description "comprador" in its actions and perspectives -- Web ed.).*

Tne issue to be examined, therefore, is whether a loss of income to the 5 per cent (only 10 per cent of all Canadians own shares in corporations and most of these are small shareholders) who benefit from the sale of Canada abroad would necessarily mean a loss to the other 95 per cent of Canadians. For most of the 95 per cent have naively accepted the proposition of the continentalists that everybody benefits from Canada's primary role as resource base for the U.S., that the faster we sell our resources the better for business and therefore for all Canadians.

Again that argument once possessed limited validity, as long as "special status" provided Canada with a branch-plant manufacturing base. But with the end of "special status," with the Nixonomics of 1971, and its likely 1973 to 1974 successor, that argument folds.

But even if the old argument folds, those who hold the old benefits of continentalism do not fold. They are the very people who need not weep over de-industrialization, because their livelihood does not depend primarily on Canadian manufacturing. They now share economic and political power in Canada with their seniors in the U.S. And if only the rest of us could live without working, or if we could exist without a manufacturing base, the position of the Canadian elite would be secure. But we cannot live that way, and we would hardly accept a minimal guaranteed annual wage as a substitute. This economic reality is the basic root of the new Canadian nationalism.

For where are the jobs and opportunities to come from, for skilled and semi-skilled industrial workers, clerical staff, technicians, technologists, researchers and teachers? Without widely-based manufacturing there is an ever-narrowing foundation for people with specialized skills, and for government financing of the public sector -- an area which affects the jobs and conditions of teachers, nurses and other professional, semi-professional and skilled groups in the public service. The continentalists appear to have no answer to this conundrum as the American empire returns manufacturing and jobs to the metropolis.

If de-industrialization is the Achilles heel of continentalism, as it is the Achilles heel of American continental unions in Canada, then those social forces in whose interest it is to stop continentalism have gained firm ground from which to launch a new strategy for independence. For although resource extraction as the concomitant of de-industrialization produces large profits, it creates few jobs.

Those who need and want the jobs are those who work, a group known in the older days -- although dismissed in behaviourist, statistical, U.S.-inspired sociology -- as the "working class." For working people it is not sentimental or Utopian nationalism which is the impelling force, it is the unavoidable contradiction that the private enterprise system fails many of those whom it needs to produce the surplus labour on which it thrives. That includes industrial workers, technologists, researchers, and even teachers. Even the easily-grasped goal of expanding Canada's home production for internal consumption of manufactured goods to the percentage level of that attained in the U.S.A. would currently mean an increase of seven billion dollars per year in Canadian manufacturing. Such a step alone could solve Canada's unemployment problems for the skilled and unskilled, for technologists and teachers. But that is impossible under the present rules and the business class holds current rules to be sacrosanct. And while the business group believes that there is no rational alternative to individualist private profit, there are people who as workers, produce goods and services in a milieu which is entirely social and collective. It is therefore within the range of their social experience to search for social or collective solutions to their future. If private ownership does not meet their needs, perhaps public or social ownership can. Once they are socialized by collective bargaining, workers may not find the idea of collective ownership as abhorrent as it is to their would-be mentors.

ARE PEOPLE READY FOR SOCIAL POWER?

What is more problematic, however, is the realization that Canadian independence requires a basic change in relations of social power, this idea, much more than public ownership, requires a revolution in people's thinking. It may sound simplistic to those who think that new rules are unthinkable, but those who need the jobs to survive, those who have no alternative to working for a living, may now be ready to change the rules and to undertake a fundamental change in power relations. If they have been socialized for socialized production, can they now make the leap to socialized ownership and social power -- to an independent socialist Canada?

That is one of the major questions of this book; and therein may lie the secret of Canada's independent future. When a sizeable section of working people in Canada have decided that they can find it within themselves to accept responsibility as a new social power to lead society, as the dispossessed who shall inherit Canada's earth, then perhaps the movement to independence will have entered its highest stage.

The authors of this book argue that such a development appears likely because the prospect of Canada as a resource hinterland for the U.S. is not an acceptable alternative. Great historical events presumably happen when people have little choice but to change the rules under which they live. The working people may perforce have to change the rules. They are objectively in a position in social production where their future is threatened and where their interests are diametrically opposed to Canada's integration into the American empire.

The second major thesis of the book is that it is because of their current relations to resources, production and ownership that working people can now begin to think about the task of fashioning a new society and a new state in Canada based on social ownership of large resource, industrial and financial institutions. They share a common status, in that they are collectively part of the 90 per cent of Canadians who do not own shares or enterprises, who do not live by profits and who do not currently decide economic or political policy. In unions they act collectively in negotiations over contracts; often they vote 98 per cent collectively to go on strike and usually to stay on strike together to the successful or bitter end. They have been socialized by the collectivity of their work and are potentially capable of creating a society in which_there is social ownership. Indeed, there is no society that working people of Canada can fashion in their own image, other than an independent socialist society and state.

They may now be ready in English Canada, as they have become more obviously so in Quebec, to take the historic leap to a new role in society. It is perhaps no accident that the group which gave strongest support in the recent Gallup poll to nationalization of energy resources industries was the "middle income" group -- the very group which includes most trade unionists in Canada. Tor while to the business class nationalism seems a luxury they can ill afford except as an after-dinner speech, for the working class nationalism and anti-imperialism may now be a necessity for survival.

The authors' strategy for Canada is based on an analysis which reveals the working people as the cohesive and reliable social force to lead the nation to socialist independence, with revitalized Canadian unions and a new type of socialist independentist party as their chief instrument for liberation. Authors of the book make no apology for their bias towards an independent socialist Canada. For most of them, political-economic analysis and theorizing must be rooted in practical struggle if the theories are to serve as accurate predictors and guides to action.

Furthermore, as already argued there can be only a mechanical separation of strategy from the basic analysis. A sound plan of action can arise only from a sound analysis and cannot be logically separated from it. Conversely, a political economic analysis which has no strategic consequences makes no contribution either to developing understanding or towards action.

Such explicit partisanship enhances the book's value. An avowed rejection of neutrality in the social sciences is preferable to the pretence of detached objectivity. The reader's awareness of the authors' assumptions will help in following the analysis; the analysis itself will receive the acid test during the 1970s and 1980s, the decades when Canada's future will be pointed either towards continentalism and a final lament or toward socialist independence and a new birth.

Bob Laxer, June 21, 1973

Acknowledgements
This book arose from a twelve-evening course of lectures and discussion groups sponsored by the Toronto Educational Committee of the Ontario Waffle Movement for an Independent Socialist Canada, between January and April, 1973. Over 300 people enrolled for the entire course, and hundreds of others paid to

attend one or more evenings. The high rate of attendance throughout the course attested to the sustaining interest of the lectures. The registration forms indicated a goodly proportion of trade unionists, civil servants, office workers, elementary and secondary school teachers, undergraduate and graduate students and some twenty teachers in universities and colleges. Many of those who returned questionnaires evaluating the course remarked on its uniqueness - in that it combined a scrutiny of economics with political and cultural issues, a logic which is built into this volume.

The main inspiration for the book came, therefore, from the remarkable response of the public to the Waffle series, and from the lecturers who strived to achieve excellence in the face of such unexpectedly wide public interest. The editorial board members for this book who made a special contribution were Julia Bass, the educational committee chairman, James Littleton, whose work in preparing the book was invaluable, and Bela Egyed who spent several weeks in intensive editorial work. People who served as discussion leaders of the twelve groups contributed substantially, not only to the discussion groups themselves but to the evaluation process which entered into the revision of the lectures into chapters and of an integrated book on the political economy of Canada.

The editor warmly acknowledges their invaluable help. The authors worked co-operatively and with unusual speed in preparing the manuscripts. The editor and authors are grateful for the contribution made to the production of this book by Shirley Petgrave and Diane Hyndman who typed the manuscripts. While in agreement with most of the views expressed in this volume, I do not take responsibility for all of them. Ultimately the work of each author will be judged on its own merits.

(Canada) Ltd.: The Political Economy of Dependency

Edited by Robert M. Laxer, 1973

(Part 1) **Introduction to the Political Economy of Canada**

Jim Laxer

[All emphasis by the Web Ed.)

A central contemporary dilemma conditions the questions Canadians want answered when they study their history. How can Canada he so rich and at the same time so dependent on an outside Country – the United States? Or to ask the obverse question: if Canada is so dependent on the United States, why is it so well off compared to other countries in the American empire?

A decade ago these would have been non-questions for Canadians, most of whom assumed that, it was American investment and American technology that accounted for Canadian prosperity. Today**,** a new round of trade rivalry among the imperialist blocs, the United States, Japan and western Europe and a general crisis of over-production in the capitalist world challenges the comfortable Canadian assumptions of the early sixties. Canadians are now aware that it is the dependent features of Canada's relationship to the United States that are increasing. An uncomfortable realization is taking hold that this dependency is responsible for fundamental and worsening structural problems in the Canadian economy.

How then did Canada get so rich and so dependent and where is its social structure taking it today?

Canada was first peopled by European societies as a place from which to extract staple products for metropolitan countries. The *raison d'être* of Canada was to be found in the cod fisheries, the fur trade and later in timber, wheat and mineral resources. For historians like Harold Innis and Donald Creighton the quest for the staples of Canada within a commercial communications system based on the St. Lawrence-Great Lakes waterway with its centre at Montreal is the principal fact around which Canadian history is organized.

For Creighton, it was the penetrating vision of the Montreal merchants in understanding the imperatives of the St. Lawrence-Great Lakes system that makes them the heroes of Canadian history. He sets forth the merchant's vision of the St. Lawrence as follows:

["] It was the one great river which led from the eastern shore into the heart of the continent. It possessed a geographical monopoly; and it shouted its uniqueness to adventurers. The river meant mobility and distance; it invited journeyings; it promised immense expanses, unfolding, flowing away into remote and changing horizons. The whole west, with all its riches, was the dominion of the river. To the unfettered and ambitious, it offered a pathway to the central mysteries of the continent. The river meant movement, transport, a ceaseless passage west and east, the long procession of river-craft-canoes, bateaux, timber rafts and steamboats which followed each other into history. It seemed the destined pathway of North American trade; and from the river there rose, like an exhalation, the dream of western commercial empire. The river was to be the basis of a great transportation system by which the manufactures of the old world could be exchanged for the staple products of the new. This was the faith of successive generations of northerners. The dream of the commercial empire of the St. Lawrence runs like an obsession through the whole of Canadian history; and men followed each other through life, planning and toiling to achieve it. The river was not only a great actuality: it was the central truth of a religion. Men lived by it, at once consoled and inspired by its promises, its whispered suggestions, and its shouted commands; and it was a force in history, not merely because of its accomplishments, but because of its shining, ever-receding possibilities.["][1]

But for Creighton, if the geographic fact of the St. Lawrence was the inspiration of the society, it was also the source of its defeat. And for Creighton defeat is the outcome of the drama of Canadian history, defeat in the quest for independence for the northern half of North America from the United States. And so the

following passage, although it deals with the defeat of the merchants of Montreal in their competition with New York in the 1840s, also summarized Creighton's view of the final outcome of Canadian history as a whole. He writes:

> ["] There was, in fact, some primitive defect, some fundamental weakness, in the society of the St. Lawrence, in the resources which it could bring to bear upon its problems, and in the very river itself which had inspired its entire effort. The St. Lawrence was a stream which dashed itself against the rocks and broke the hopes of its supporters; and all the long struggle, which had begun when the first ships of the French sailed up the River of Canada, had served, in the end, to establish a tradition of defeat.
>
> . . . All these deeds and struggles took on, in retrospect, the appearance of episodes which had been intended merely to postpone the denouement of a drama upon the last page of which there would inevitably be written the word defeat.["][2]

The Innis-Creighton school of Canadian historians has served as the intellectual basis for the conservative nationalism of George Grant in *Lament for a Nation.(3)* For socialist historians, Innis and Creighton provide an essential starting point for an understanding of Canadian history. But socialist historians are not satisfied that Canada's continuing character as a resource-extractive country dependent on outside imperial powers is to be explained by geographic or technological determinism. Instead they see dependence resulting from the relationship that has existed between the capitalist class in Canada and the capitalist class in the metropolitan countries on which Canada is dependent. As Tom Naylor states in his article, "The Rise and Fall of the Third Commercial Empire of the St. Lawrence":

["] Colonial status cannot be explained by technological or geographic determinism, or by 'comparative advantage', but only by reference to the relative stages of capitalist development achieved by both the metropole and the hinterland. The metropole defines the character and extent of economic development in the hinterland area.["][4]

Canada's dependency is a function not of geography and technology but of the nature of Canada's capitalist class. The Canadian business class has been dominated historically by financial capitalists who have made their profits on the exchange of Canadian staple products in return for manufactured goods imported from metropolitan countries. At no stage have native Canadian industrialists who profited from the production and sale of manufactured goods dominated Canadian capitalism. This central fact has flowed from the weakness of Canadian capitalism in relation to that of outside imperialist countries. Dependency has shaped the character of Canadian capitalism and has created a capitalist class that has needed continued dependency for its continued well-being.

Between the time of the conquest of New France in 1759 and the dismantling of the British mercantile system in 1846, the dominant business class in Canada was a merchant class that made its money in serving as the middle-men in the fur trade and in the timber trade. Canada's merchant capitalists also made fortunes in land giveaways from the crown and in the buying up of seigneuries in Quebec by English merchants.

During this period the Montreal merchants worked to improve the transportation system of the St. Lawrence. The building of the Erie canal in New York State, the later rise of the railways and the end of preferential treatment for Canadian grain in the British market with the repeal of the Corn laws, as well as Britain's failure to regain territory on the other side of the Great Lakes during the war of 1812 led to the collapse of their hopes. The long battle for commercial hegemony in the trade of the west was won by the New York merchants over those of Montreal.

The merchants in Canada were middlemen in a British imperial system. This British system functioned with the colony supplying the staple such as fur and timber and serving as a market for the manufactures of the mother country. The merchants of Montreal profited from this system. Their own power was dependent on the power of the imperial system and not on its overthrow. Such a bourgeoisie held back rather than enhanced the development of manufacturing within the colony.

During the 1820s and 30s, democratic movements arose in both Upper and Lower Canada to challenge the Family Compact and the Chateau Clique, which were the governments of the merchants. These democratic movements brought together the grievances of the farmers, the French Canadians and the emerging industrial bourgeoisie to achieve democratic national control of the affairs of the colony. The defeat of this first democratic national movement that united the two peoples of Canada against imperialism maintained the merchants in power.

Following the defeat of the Canadian rebellions, British mercantilism finally died in the 1840s with the repeal of the Corn Laws, an event which all but destroyed the commercial system of the Canadian merchants.

This setback, along with the rise to office of the reformers in the province of Canada, led many of the merchants to abandon their fervent loyalty to Britain and instead to throw themselves headlong into the arms of the emerging alternative empire in the United States. Canadian business has never been able to exist apart from dependence on an imperial power and 1849 gave a foretaste of the willingness of Canadian business to replace the British with the American empire in Canada.

In 1854, the tendency of the Canadian system to move from one relationship of dependency on an outside metropolis to another became apparent in the reciprocity agreement with the United States. Under Reciprocity, which existed from 1854 to 1864, a system strikingly parallel to that of the present day prevailed. Reciprocity operated to ensure the flow of Canadian raw materials to the United States and to ensure a market for American manufactured goods in Canada. In much of what is now Ontario, an assault of major proportions was launched on Canadian forests in the export trade with the U.S.

However, U.S. domination of the Canadian economy was not to take hold in the straightforward way implied in the reciprocity agreement. Reciprocity was shattered primarily for political reasons. Britain and Canada experienced immense tension with the United States during the American Civil War due to British support for the cause of the Confederacy. Northern victory in the American Civil War consolidated the development of industrial capitalism in that country. The hostility of Washington towards Britain and its appendages led to American cancellation of the reciprocity agreement. This did not mean that the United States was writing Canada off. In fact, President Grant thought that it would be reasonable for Canada to be ceded to the United States in settlement for the claims of the U.S. against Britain, for providing the South with warships such as the Alabama during the Civil War.[5]

Without reciprocity and with a hostile relationship with the United States, the British North American colonies were forced to rationalize their situation. Confederation was a popular movement in Canada West for a new agricultural frontier in the distant north-west, in what was to become the prairie provinces. It was part of a strategy for imperial rationalization of all the holdings of the British empire on the northern half of the continent.

Although the 1850's and 60's had witnessed the emergence of the beginnings of significant Canadian-owned industry that grew up around the building of the railways, the Canadian bourgeoisie remained predominantly a merchant-finance class at the time of Confederation. The strategy of the merchants was to expand the size of their commercial operations by bringing the potential wheat-growing area of the Canadian west into a union with the province of Canada.

In the National Policy begun in 1879 and brought to fruition between the mid-1890s and World War I, the logic of Confederation for the merchants became clear. The National Policy consisted of three basic elements: the building of a transcontinental railway to link the potential breadbasket of the Canadian West to Montreal; the promotion of immigration to people the new internal colony in the Canadian west; and the erection of a tariff to forge the farmers of western Canada to purchase their manufacured goods from central Canada. The system, like earlier Canadian economic strategies, was based on the export of a staple product, this time wheat to Britain and Europe. The export of wheat via the CPR to Montreal and thence to Europe was to bring purchasing power to western farmers, who would then buy the manufactured goods of the east again shipped to them on the CPR.

The primary purpose of the tariff then was not to protect Canadian industrialists but to guarantee the monopoly of the trading system of the Canadian merchants and to force American industrialists who wanted part of the Canadian market to establish factories in Canada.
[6] Thus, while Canadian-owned manufacturing did grow under the National Policy, by 1913 American direct investment in Canada totaled $520 million.[7] But it was the financial capitalists with their money in railways, grain elevators and merchandising who dominated Canadian policy during this period. The Canadian state was their state and it served them well in subsidizing the CPR and in using the powers of the federal government to protect and promote the trading system. The CPR and the Conservative government of Sir John A. Macdonald were so close that it was once observed at the time that "the day the CPR goes bust, the Conservative party goes bust the day after."[8] This is not to say that the link with business was unique at this time to the Conservative party. If it was true that in the golden age of the Conservative party under Sir John A. Macdonald, the party was firmly anchored to the twin pillars of the Bank of Montreal and the Canadian Pacific Railway -- then it was equally true that Laurier's great achievement was to move the Liberal party from the shaky foundation of western Ontario farmers to the more durable base of the Bank of Commerce and the Grand Trunk Railway.[9]

Canadian financial capitalists pursued a sub-imperial strategy during the period of the National Policy. One element in the strategy was the promotion of Canada as the place within the British Empire where the Americans would do their manufacturing. As well as gaining entry to the Canadian market through the establishment of branch plants in Canada, American business also gained access to the preferential system of the British Empire.

The modern corporation, amalgamating industrial and finance capital, was invented in the United States in the late 19th century. This new phenomenon of business organization became multinational in its operations almost from the moment of its birth. American corporations, making use of mass production techniques such as assembly-line production and precision tooling, entered Canada to gain access to the markets of the British Empire. It is no accident that American supremacy was immediately established in Canada in the fields of automobiles, chemicals, and the production of machinery and electrical goods, while Canadian businessmen remained strong in textiles and clothing, food processing, farm machinery, brewing, distilling and iron and steel.

A brief look at the automobile industry in Canada illustrates that Canadian firms made an effort to enter fields where the advantages of American production techniques and corporate organization were strong. In 1907 Sam McLaughlin of Oshawa began assembling Buick automobiles on licence. The weakness of his operation was that while he owned it, he was forced to import his engines from Detroit. He did the same thing with Chevrolet after 1914. Then, in 1918 he sold both companies to General Motors and General Motors of Canada was formed.[10]

The behaviour of American automobile companies in Canada in the 1920s illustrates the importance of Canada's position behind the tariff wall of the British Empire as a key factor in determining the behaviour of the firms. In 1929 Canada's American-owned auto industry produced the second largest number of cars of any country in the world and exported over 100,000 automobiles out of the quarter million produced. These exports were mainly to other British Empire countries. 1929 was, in fact, the high point of the Canadian auto industry in relation to production in other countries."

But the success of the sub-imperial strategy of Canada's merchant-financiers under the Nationa Policy was based on a particular balance between the power of American and British capitalism which proved ephemeral. As Britain declined in power and as the United States moved ahead. Canada's financial capitalists were reduced over time to powerful but subsidiary status.

During World War I, Britain lost its position as a major exporter of capital and Canada could no longer make use of large-scale British portfolio investments. The aftermath of the war and the decline of Canadian wheat markets in Europe struck a blow at the east-west transportation system of the National Policy. During

this period the debit charges on the expansion of Canadian agriculture and transportation became very onerous.

The 1920s saw the rise of new staple industries that basically altered Canadian development. Hydro electricity, pulp and paper and the new mineral extractive industries of the north increased in importance. **New trade ties developed between the United States and Canada and increasing quantities of Canadian minerals flowed south. Provincial governments which enjoyed the tax revenues of the resource industries became more powerful in the 20's and began to replace the federal government as the level of government closest to business.**

During the 1930s, depression further strained the structure of the Canadian National Policy as the market for Canadian wheat collapsed, thereby increasing enormously the burden of fixed interest charges on railway and utility debts payable from Canada to Britain. The answer was to import more direct American investment into Canada.

In 1935, on Remembrance Day, the recently-elected government of Mackenzie King signed a reciprocal trade agreement with Washington. The closer relationship with the United States was symbolized by U.S. President Franklin Roosevelt's statement in 1938 at Queen's University in Kingston, Ontario that the United States would not allow Canada to be dominated by any other empire (than the British).

[12] In 1940 Mackenzie King motored down to Ogdensburg, New York with one assistant to meet with Roosevelt. Without prior consultation with his own cabinet, let alone the House of Commons or the Canadian people, he signed a permanent military alliance with the United States and established the permanent joint defence board. In return for entering into the tightest alliance in Canadian history, King demanded and obtained one concession from the Americans -- the date of signing was moved one day to fall on the same day of the month as his birthday.[13]

The establishment of the permanent joint defence board on August 17, 1940 marked the political transition of Canada into the American empire. It came just weeks after the fall of France, at a moment when Britain was begging the United States for 50 used destroyers. The establishment of the joint defence board occurred just as the Battle of Britain was getting underway, a battle from which many in North America did not believe that Britain would emerge intact.

Symbolic of Canada's changed relationship to the United States was the fact that in 1942 the Canadian government decided to allow the United States military to build the Alaska highway across Canadian territory to Alaska. In 1938 King had refused an earlier bid to have the Americans build the highway stating in a letter that:

> ["] Grounds of public policy would not permit using the funds of a foreign Government to construct public works in Canada. It would be, as Lapointe phrased it, a matter of financial invasion, or, as I termed it, financial penetration.["][14]

While World War II led to an important increase in Canadian-owned manufacturing, it also led to an economy more closely interlocked with that of the United States. The war and Canada's permanent military alliance with the United States marked the end of significant British power in Canada. The balancing act between two empires had ended for Canada's financial capitalists. In 1945, C. D. Howe, the country's Reconstruction Minister, recognized the imperatives of the new era when he established an economic policy based on invitations to U.S. firms to invest in manufacturing and resource extraction in Canada.

In the post-1945 period Canada's financial capitalists were no longer dominant in the running of the Canadian state, they were locked into a junior partnership with American corporations which now securely controlled primary and secondary production in the economy. The relationship

between Canadian and American capitalists was a settled one -- Canadian merchants and bankers shared in the surplus value generated by the American productive apparatus in Canada.

The informal American imperial control of the Canadian state can be demonstrated in numerous ways for the period since 1940. In economic policy, it can be seen in the fact that the large multi-national corporations pay the lowest levels of taxes of any corporations in Canada -- always an indicator of where power lies.

It can be seen in a final sense in the nature of the military "alliance" that Canada has with the United States. In the 1950s Canadian parliamentarians were, on occasion, barred from parts of the Canadian north which were open to U.S. military personnel. During the Cuban missile crisis in 1962 when NORAD put the Canadian forces on alert against the explicit wishes of the Canadian Prime Minister, John Diefenbaker, the location of ultimate power in the Canadian state was demonstrated. There are some, of course, for whom no list of economic, political and military examples of American control of the Canadian state would prove the case that American capitalism is the ultimate power in the Canadian state. For such people, informal empire is simply too difficult to comprehend. **Without the imperial flag and the foreign governor, empire cannot exist. Even the fact that 75 per cent of the gross national product is generated within foreign-owned firms in Canada today leaves some people wondering whether foreign capitalists really run the show in this country.**

American capitalist control of the Canadian state both directly by American corporations and indirectly through the military and political sway of the U.S. state over Canada did not appear to have any immediate negative effects on Canadian economic development. As long as the American empire was expanding economically, expansion occurred in Canada, both in the manufacturing and especially the resource sector oi the economy. During this period of "special status" for Canada m the American empire, far more American investment flowed into Canada than into any other country in the world. Canadian manufacturing was managed more and more from outside the country; pre-packaged foreign technology became the norm in Canadian production; basic production began to be replaced with a trend toward the reduction of Canadian industry to warehouse-assembly operations. But in spite of the increasing structural weaknesses, the manufacturing economy grew during the period from the 1945 to the mid 1960s. **In special arrangements like the Defence Sharing Agreement and the Canada-US auto pact, industry in Canada shared in the gravy of the North American market.**

In the mid-1960s, Canada began to experience the long term effects of the loss of the Canadian state to American capitalist control. By this date, more profits and dividends were flowing south than were being replaced with new foreign investment from the U.S. American corporations by the end of the 1960's were financing 90 per cent of their investment in Canada through the reinvestment of profits made in Canada and through money borrowed on the Canadian money market. American investment began by the mid-1960s to shift out of Canadian manufacturing and into investments in resource industries in Canada or out of the country altogether and into Western Europe. The American empire had passed its zenith economically.

As American rivalry with Western Europe and Japan became insistent by the end of the 60's and as the American economy showed telling signs of weakness, the United States began to face the problem of economic rationalization within its empire. **This meant the beginning of a new economic epoch for Canada. The manufacturing sector of the Canadian economy had become an arena of surplus production in a period of shrinking world markets for the U.S.**

The growth curves projected by the Economic Council of Canada for Canadian manufacturing were replaced by stagnation in the manufacturing sector of the economy. From 1966 to 1972 virtually no jobs were created in manufacturing in Canada. Plant shut-downs and layoffs occurred on a massive scale, particularly in foreign-owned industries.[15] In August, 1971, when Nixon announced his new economic policies, the end of "special status" for Canada in the American empire was clear.

Nixon and his Treasury Secretary, John Connally, made it clear that Canada was expected to contribute to solving America's trade problems. Since that date, Canada has been pressured to enter into resources agreements with the U.S. and in return to purchase more manufactured goods from the U.S.

Of critical importance is the current energy crisis in the United States and the consequent American pressure for a continental energy deal with Canada. As Canada's exports of oil and natural gas have increased, discussions with the Americans proceed on mammoth projects like the Mackenzie Valley pipeline. **For sale is not only Canadian energy resources, but Canadian sovereignty -- the right to control Canadian resources for Canadian development. The Canadian government in its talks with Washington has been stressing the security benefits of the Mackenzie Valley route for American petroleum -- thus making clear the implications of an energy deal for the independence of Canada.**

A continental energy deal would work this way: American oil companies would ship a much larger amount of oil and natural gas out of Canada to the U.S. Canada's oil and gas prices would rise to meet the American price increases which are expected. The American oil companies would get the profits as well as the oil and gas. Southern Canadian supplies would be depleted more rapidly, thereby necessitating the building of the Mackenzie Valley Pipeline, which would again increase the cost of gas because of the greater distance of transportation. The pipeline would endanger the environment of the Canadian north and would dispossess Canada's original peoples still further. And of course, in return for gaining access to the American energy market, Canada would be expected to buy more manufactured goods from the United States -- perhaps automobiles, which would destroy jobs for Canadian autoworkers in southern Ontario.

The cost of the loss of control of the Canadian state to American corporations is now increasingly clear to Canadians: in a period ot inter-imperialist rivalry and a crisis of overproduction for the United States, it means de-industrialization for Canada.

Clearly any prospect for Canadian independence depends on a new class coming to power -- and today that can only mean the working class through a socialist programme.

People's movements of resistance to the development strategy of Canadian capitalism have grown up in response to the exploitation and human dislocation which have resulted. But while these movements have responded to material conditions, they have also been conditioned in their development to reflect the cultural and institutional framework that has been the legacy of the Canadian people. *(The phrase "people's movements of resistance" harks back to the [CPC-pro-Moscow Stalinist] age of popular frontism; while Waffle has clearly established the primacy of class politics by entering the NDP).*

When British and European workers and farmers came to Canada they did not come here simply as undifferentiated humanity upon whom the material conditions of capitalism in Canada would act. They brought with them their ideas, their culture, their patterns of trade union and political activity and institutional ties with Britain and Europe.

Especially in the case of British immigrants, Canada's continuing ties with the empire meant that British political and cultural patterns would be transplanted to Canada. It is not surprising, therefore, that the English-Canadian popular culture, particularly the nature of Canadian Protestantism, was affected by this link. It is also understandable that the dominant strain of radical consciousness in the Canadian working class would be the British social democracy of the CCF-NDP variety.

Thus, while working class resistance in Canada has arisen in response to material conditions in Canada, it has done so within the traditions and framework imported from two imperialist countries: Great Britain and the United States. British social democracy and American unionism have provided the tradition and the framework for the politics of the Canadian working class. These phenomena have each developed initially among the more prosperous strata of the working class in Britain and the United States and have been the framework for quiescent politics in these countries.

The origins of the social democracy of the CCF in imperialist ideology is evident from the fact that the CCF supported American imperialism at the zenith of U.S. power in Canada and the world at large. During the Cold War years of the early 50's, the CCF supported the foreign policy of the American empire, including the Korean War, and supported Canada's inclusion in the American military alliance system.[16] During these same years which saw the greatest incursion of American investment into Canada, the CCF waged no campaign against the foreign takeover of Canada. As a result, no mass movement of the Canadian working class was anti-imperialist during the Cold War years *(while only a de-Stalinized mass Communist Party could have achieved those politics, instead abandoning the Left's destiny to CCF pacifism in the 1930s -- rather than any alleged CCF "support" for war and military alliances -- Web Ed.)*

Today the NDP continues the failure of the CCF to come to grips with imperialism. The NDP gives expression to the view that even if change and progress is not occurring rapidly enough in Canada, nonetheless the society is moving in a generally progressive direction. Seen this way, the problem for progressive citizens is to push things along and to make the gradual transition to a more humane world a little more rapid. The reduction of Canada to dependency within the American empire, with its attendant costs, makes the politics of social democracy in Canada irrelevant not only in degree but in kind. *(Or, rather makes social democratic POLITICS irrelevant, as opposed to not making the sole labor-based party in the Americas ITSELF irrelevant -- witness the effective if short role of Waffle and the long history of its antiwar Left preceding Waffle– Web Ed.)*

The importance of the existence of American unions in Canada is directly related to the developing American penetration of the economy. As we have seen, industrialization in central Canada took place during two phases in the evolution of Canadian,capitalism: first, in the period of Canadian capitalism's balancing act between the British and American empires from the late 19th century to World War II and second in the period of American control after 1945.

As industrialization proceeded in central Canada, a significant working class employed in manufacturing came into being. Working-class political militancy tended to be located outside this favoured region of Southern Ontario, in the primary producing regions of the country or among manufacturing workers located in regions that were basically primary producing regions. This is true of the socialist and syndicalist movements that flourished in British Columbia after 1900; it is true of the Western Labour Conference, which split off from the more conservative eastern trade unionists at the end of World War I; it is true of the Winnipeg General Strike of 1919; and it is true of the radicalism of the Cape Breton miners in the 1920s.

Southern Ontario, although the scene of many militant strikes was also the rock of political conservatism in the Canadian labour movement, on which the waves of western Canadian labour radicalism were dashed. Although demands for Canadian unionism developed in Southern Ontario as well as in other parts of the country, radical political manifestations of Canadian unionism in opposition to the business unionism of the Trades and Labour Congress (TLC), dominated by the American Federation of Labour (AFL), arose outside Southern Ontario in movements like the One Big Union. It is difficult to find any evidence that in Southern Ontario organizations like the All Canadian Congress of Labour were more militant or more radical than were TLC unions.

During the two phases in the development of Canadian manufacturing from the late 19th century to World War II and from 1945 to the mid-1960s, American unions served to fragment the Canadian labour movement and to make it difficult for it to pursue its own national objectives. It is difficult to avoid the conclusion, however, that the greater political militancy of workers outside southern Ontario had more to do with the political economy of the regions in which they were located, than with the fact of Canadian or American unions. *(The introduction of the US-CIO industrial unionism is elsewhere described as a huge advance for Canadian unionists [including the militant organizing rank-and-filers of the CPC], which led the charge into Canada despite the US-CIO leadership – See selections in Abella elsewhere – Web Ed.)*

In fact, during the period from 1945 to the mid-sixties, it was certainly the relatively well-paid workers in the large capital intensive manufacturing plants of southern Ontario, organized into

American unions who served as the mass base for the quiescent politics of the Ontario CCF-NDP. During this period, although Canadian workers were not masters of their own trade union movement, the general expansion of the manufacturing economy within the framework of an expanding American empire led to political passivity. *(As the issue of Canadian control of its unions became acute to the point of splits away from the US AFL-CIO.)*

The recurrence of a general crisis of overproduction in the capitalist world, beginning in the late 1960s, changed this position of relative security for unionized Canadian workers in the large manufacturing industries. **With Nixonomics in 1971 the community of interest between the American labour leadership and the Canadian members of their unions was shattered. As American labour leaders fought for protectionist legislation that would maximize American manufacturing at the expense of other countries, Canadian workers were experiencing plant shutdowns and layoffs on a massive scale in the industrial sector of the economy.**

The long-term consequence of American unionism in Canada then became clear: as soon as the interests of Canadian workers were threatened by a changed economic direction in the American empire, the link of Canadian workers with American unions became their greatest encumbrance. As this process proceeded, the demand for completely Canadian unions became more insistent in all parts of Canada. *(Taking the form of a struggle for Canadian union autonomy within the US "internationals" at this time -- Web Ed.)*

During the period of special status for Canada within the American empire from 1945 to the end of the sixties, this twin legacy of British social democracy and American unionism served as the basis for the quiescent politics of the Canadian working class. Current changes in the Canadian political economy threaten the viability of both British social democracy and American unionism in Canada. **The need for Canadian independence to end the exploitation of Canada by the American empire has given birth to new strategies and a new institutional framework for Canadian working class politics.** *(A reference to Waffle's intervention and pending struggle for survival as a major left current within the NDP -- Web Ed.)*

NOTES

'Donald Creighton, *The Empire of the St. Lawrence,* (Toronto, 1956), pp.6,7.

2. Ib*id.,* pp. 384, 385.
[3] George Grant, *Lament for a Nation,* (Toronto, 1965).
[4] R T. Naylor, "The Rise and Fall of the Third Commercial Empire of the St. Lawrence", Gary Teeple (ed.). *Capitalism and the National Question in Canada,* (Toronto, 1972), p. 2.
5.'Donald Creighton, *Dominion of the North,* (Toronto, 1957), p. 314.
[6]R. T. Naylor, *op. cit.,* p. 16.
[7.]Kari Levitt, *Silent Surrender,* (Toronto 1970), p. 66.
[8]rank Underhill, *In Search of Canadian Liberalism,* (Toronto, 1961), p. 35.
9. Ibid., p. 40.
[10]James Laxer, "Lament for an Industry," *Last Post,* Dec. 1971. *[11] Ibid.*
[12]James Eayrs, *In Defence of Canada,* (Toronto, 1965), v. I I , p. 183.
13. *"Ibid.,* p. 208.
14. *'"Ibid.,* p. 178.
15."Toronto Wafflers' Deindustrialization Study (unpublished).
[16] W. E. C Harrison, *Canada in World Affairs, 1949 to 1950,* (Toronto, 1957), p. 285. In his book Harrison states, "Mr. Stanley Knowles reported it [intervention in the Korean situation] had been endorsed by a national convention of the CCF, meeting in Vancouver in July. The main objections were not that the government had gone too far, but that it had neither the troops at its disposal, nor the conviction to persuade it to act as promptly as the case required."

(Canada) Ltd.: The Political Economy of Dependency
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(Part 5) **Resources and Underdevelopment**

(The Dene struggle against the Mackenzie Valley Pipeline)

Mel Watkins

(All emphasis by the Web Ed.]

In January, 1973, a Town Hall meeting was held in Toronto on the pros and cons of the Mackenzie Valley Pipeline. Five hundred people jammed the auditorium -- and perhaps as many wanted to get in, but didn't -- to listen to a panel of William Wilder, Eric Kierans, Douglas Pimlott, and Donald Macdonald.

The event was highly revealing of the politics of this country. Consider the panelists. Mr. Wilder is Chairman of the Board of Canadian Arctic Gas Study, the consortium that wants to build the gas pipeline. Consisting of the giant international oil companies, Trans Canada Pipelines, the CPR, the CNR, and the Canada Development Corporation, it makes even the syndicate that built the CPR look like small potatoes -- while, unlike the CPR, it is not intended to bind Canada together but rather to move Alaska gas and Canadian Arctic gas to the U.S. Jim Laxer calls it "the most powerful array of corporate and state power ever gathered on behalf of any project in this country's history."[1]

Wilder himself is the former head of the financial house of Wood Gundy. He is the personification of Tom Naylor's thesis about the Canadian capitalist -- competent as a merchant/finance capitalist, unable to make the transition to being an independent industrial capitalist, but, unfortunately, only too able to become a resource capitalist fronting for an international consortium, with final decision-making power lying outside of the country and the object of the exercise being to export. When Mr. Wilder says, as he did at the Town Hall meeting, "I took on this job on the basis that it was in the national "interest," we need not question his sincerity, but we should point to the underdeveloped national consciousness of Canadian capitalists.

Mr. Kierans is certainly not open to that charge, but that simply makes him a rare bird. Each decade we are allowed to have one genuine bourgeois nationalist folk-hero, but only one -- Walter Gordon in the sixties and now Kierans. Mr. Kierans came to his present position as a result of the decision of the *(US President)* Johnson Administration in 1965 to use the multi-national corporations as a vehicle to help the U.S. balance of payments. **But now he** *(Kierans --ed.)* **goes much further. In his 1973** *Report on Natural Resource Policy in Manitoba*, **he writes of "neo-colonialism" and says, "It is not wildly imaginative to suggest that the day may not be far distant when Canada's resources will be controlled, not by the ten provinces, but by fewer than ten giant resource corporations."[2]**

Indeed, both Kierans, in that report, and Gordon in a speech in February, 1973, are now advocates of public ownership -- the former advocating that crown corporations in Manitoba should undertake all exploration, development and mining to the primary metal stage, the latter that a crown corporation control all oil and gas production in the Canadian Arctic. The contradictions for a dependent capitalist country that arise from foreign private ownership of its resource industries, and particularly of the energy resource industries, have become such that public ownership can be advocated by default. So it is, too, that the Science Council of Canada in its 1973 report, *Natural Resource Policy Issues in Canada***, concludes by suggesting that increased revenues from resources can be obtained not only by increasing royalty rates and by an export tax, but also by "public ownership of specific and carefully selected Canadian resources."[3]**

Dr. Pimlott of the University of Toronto's Department of Zoology is an academic drawn into an increasingly public role through his concern for the environment and original people of the north, the founder and ex-Chairman of Canadian' Arctic Resources Committee (CARC). A former civil servant, he set

out to lobby the government to make its decision objectively and democratically but has, by his own admission, learned something about the nature of decision-making in Canada today. ***He has learned that "public participation was not welcome" and that "government at the political and bureaucratic levels is doing everything possible to stifle the debate" about the Mackenzie Valley pipeline.***[4]

In a speech in May, 1972,[5] he *(Dr. Pimlott)* presented in an extremely revealing way the response of Canadian Ministers to the possibility, first raised in February 1971, that the Trans Alaska Pipeline (TAPS) might be indefinitely delayed by the court actions of American conservationists. **Virtually within hours, the then Minister of Energy, Mines and Resources, Joe Greene, speaking in Vancouver, offered the Mackenzie Valley route as an alternative to TAPS, and on March 2nd repeated the offer to highranking officials of the Nixon Administration in Washington. In March, Jean Chretien, Minister of Indian Affairs and Northern Development, told a Dallas, Texas audience: "We in Canada would welcome the building of such a gas pipeline through our country and would do everything reasonable to facilitate this particular development. . . An oil pipeline would also be acceptable. In other words, if it is felt desirable to build an oil pipeline from Prudhoe Bay direct to the mid-continent market, then a right-of-way through Canada, I am sure, can, and will, be made available."**

Shortly thereafter, Jack Davis, Minister of the Environment, stated in Vancouver that he was 90 per cent sure that the building of the Mackenzie Corridor could begin by 1973. Pimlott concludes from this that "the Mackenzie Valley would probably have had a hurry-up pipeline if the international petroleum executives had opted to put one there."

Finally, we come to the present Minister of Energy, Mines and Resources, Donald Macdonald, his predecessor having been incapacitated for politics but not for a directorship with Petrofina of Canada. **This is the man who in May 1972 wrote to U.S. Interior Secretary Rogers Morton, with respect of an oil pipeline:**

> *[“] There would be many advantages arising from the use of a Canadian pipeline route. We believe it would enhance the energy security of your country by providing an overland route for your Alaska oil production ... Canada has an interest in the energy security of your country, and this land route for Alaska crude oil would enhance that security of supply. . . [“]* [6]

Macdonald, as befits his portfolio, does not so much represent, as over-represent, the multi-national energy companies. He is really an advance man for their circus. As well, he perfectly portrays the mentality of the happy hinterlander. At a time when there were 655,000 unemployed that we knew about, he was non-plussed at the Town Hall meeting by Wilder's statement that 400 jobs would be provided directly by the pipeline and simply went on to insist that no other activity was so worthwhile for Canada in the 1970s.

While it is hard to out-do a federal cabinet minister in inanity, justice requires us to point out that provincial premiers are not above trying to run a close second. Hence, the spectacle of Premier Barrett of B.C. -- the most radical premier in Canada, though it is admittedly not a hard race to win -- dashing down to Washington to offer his province as a right-of-way to link Alaska to* the other 48 states. Nothing plays more into the hands of the big companies and Washington than turning the future of the Canadian north and ultimately of southern Canada as well, into a second-order debate about routes and preferred modes of transportation.

Harold Innis, the greatest political economist and historian that this country has produced, once said that the risk of being a social scientist in Canada was that one might die laughing. But the

serious moral is that it is of the essence of the political economy of Canada as a resource hinterland that the major issues in our politics are imposed on us from the outside, from the United States. The recent *Deutsch Report* for the Ontario Government[7], speaks of the "spillover" of the U.S. energy crisis into Canada, and the phenomenon is pervasive. It is the hallmark of a hinterland that it not only cannot generate its own solutions -- so long, that is, as it operates within the capitalist framework -- but it cannot even generate its own problems.

The $5 billion Mackenzie Valley gas pipeline is just one of a number of major resource projects planned for the seventies. There is an oil pipeline for the Mackenzie Valley of comparable dollar magnitude. There is the $6 billion James Bay project which involves flooding an area in Northern Quebec twice the size of England and destroying the economy of 6,000 natives -- all for the benefit of Con Ed in New York. There is the Northern Manitoba water diversion plan, the "largest single diversion ever undertaken by man on this continent" according to its promoters, which will destroy the Churchill River and flood Southern Indian Lake. The water level is now to be raised only 12 feet rather than the originally planned 30 feet, the difference presumably being a measure of the benefits of social democracy. The plan will export the surplus power not needed by Manitoba till 1990 to the U.S. There is the high Arctic oil and gas play, with the possibility of a pipeline from the eastern Arctic down either the western or eastern side of James Bay. There is exploration offshore the Atlantic Provinces. Add these extraordinary developments to the ordinary developments, and the sum to be spent on the development of energy resources is variously estimated as $50 billion to $100 billion for this decade.

A Socialist Perspective

It is this spectre that underlies the gathering debate in this country that is increasingly bringing together disparate groups in opposition to resource ripoffs. Within that opposition, there is an urgent need for socialist analysis, as a basis for political action and a socialist program.

Socialists, beginning with Marx, have understood that capitalist development was uneven development. Not only was there an uneven distribution of benefits among classes -- with capitalists benefiting much while workers benefited much less or lost -- but globally the same was true for countries; that is, the phenomenon of imperialism and underdevelopment, and within countries for regions, with some prospering while others stagnated.

Of contemporary Marxist writers, this analysis has been articulated best by Andre Gunder Frank.[8] Capitalist economic development is a dialectical process simultaneously creating development and underdevelopment. Economic underdevelopment is generated by the same forces which generate economic development, and to search in each case for special reasons for the former is to miss the point.

The capitalist world is structured in terms of the interrelationship of metropolis and hinterland, and is characterized by hierarchical links in long imperial chains. The metropolis is the seat of manufacturing, importing staples -- raw materials, food -- from the hinterland and exporting manufactured goods. The role of the hinterland, to export staples and import manufactured goods which embody their own staples, is pre-determined. The metropolis, then, develops -- or over-develops -- while the hinterland is locked into a pattern of underdevelopment. As Bruce Archibald observes: "In contemporary terms, the

overdevelopment of the highly industrialized polluted areas is the other side of the coin of underdeveloped rural farming and fishing communities and regional centres which cannot sustain their own population."[9]

Now, under capitalism a surplus is everywhere created by the exploitation of wage-labour, but this is particularly so in the case of resource development. Indeed, even orthodox economics, with its notorious limitations, recognizes that the scarcity of resources yields an "economic rent" which is then appropriated by the owner of the resource for merely owing the resource. In 1848 John Stuart Mill in his Principles of Political Economy said of the owners of such resources: "They grow richer, as it were in their sleep, without working, risking or economizing."

The issue then is: who owns the resources? In Canada, except for the North West Territories, the answer is the provinces. But in fact, they have alienated rights to explore and develop into private hands through lease arrangements, and typically for a price which is a fraction of the rents -- this being demonstrably the case, given the profitability of resource companies after such payments. Typically, the private owner is a foreign corporation, two-thirds of all activity in the resource sector being controlled by nonresidents. So the surplus, in the form of dividends, goes outside Canada. Any initial capital brought in tends to be repaid in a few years, and the remaining investment, while under foreign control, is made by capital formed within Canada. It follows that the so-called returns to capital are unambiguously "rents" or "super-profits."

In principle, the government of the hinterland -- federal and provincial in the case of Canada -- can tax corporate profits, thereby appropriating a portion of the surplus. Notoriously, Canadian governments do not do this, a fact widely known after the 1972 federal election campaign, that being the only fact established in that campaign.

The extent of the surplus appropriated, or of the overall rip-off by the corporations, has been documented by Kierans for the metal-mining industry in his Manitoba report. In 1969, wages and salaries, which accrued mostly to Canadians, constituted 11 per cent of the value of resources, or the selling price of the output. Rents, or surplus -- after deduction of all costs -- constituted 30 per cent, a substantial portion thereof accruing to foreigners.

Profits in the metal mining industry, before taxes, were $3,165 million for 1965-70. Only $519 million were subject to corporate income taxes, that is, more than $2.5 billion escaped corporate taxes. For 1965-69, according to Kierans, the distribution of mining industry profits came down to this: "The return to the owners of the natural resources, the people, amounted to 14.7 per cent of net profit. The operators of the leases received the remaining 85.3 per cent of profits."

For the three major metal-producing firms in Manitoba -- Inco, Sherritt Gordon and Hudson Bay Mining and Smelting, which together account for more than 95 per cent of production in Manitoba -- the value of production in 1968-70 was $676.1 million, yielding book profits of $192 million or 28.4 cents for every dollar of sales. The Government of Manitoba received in taxes $15.6 million, or 2.3 cents per dollar of sales, and the Government of Canada received $15 million, or 2.2 cents; this left 24 cents for the corporations, little of which remains in Manitoba and much of which does not remain in Canada.

The resources involved are, of course, non-renewable. Kierans warns: "If... surpluses are not retained, then the people become progressively poorer as their resources are depleted and the sometime assets are not replaced." (p. 5) The failure to retain the surplus is crippling in the long-run:

> ***[“] Resource rich nations that continually yield up the value of their wealth in return for the labour employed in its exploitation will never be more than resource nations. They lose the opportunity to form their own capital, capital which will enable them to break out of that very reliance on their resource base and reduce their dependence on foreign investment. When a nation or province can generate capital out of its own resources and retain it, it will be less dependent on others, (p. 37) [“]***

It is by this line of reasoning that Kierans arrives at the case for public ownership. He himself insists: "It is not a question of capitalism or socialism. It is simply searching for the better way." But we are entitled to point out that it is no accident that socialism is the better way.

Another aspect of the relationship between resource exploitation and development or underdevelopment is that resources are, by their nature, inputs into goods-producing industries. A critical question, then, is where the further processing -- down to full blown manufacturing -- takes place. Now the metropolis/hinterland relationship will clearly tend to work in such a way that the hinterland will export the staple in the most unprocessed form feasible, given transport costs. At the same time, so obvious is the move to further processing that hinterland governments tend to make some effort in that direction, though typically by bribing the resource exploiter, and in an exorbitant fashion. Hence, Inco, Sherrit Gordon, and Hudson Bay Mining and Smelting have received two 21-year extensions of their original leases from the Manitoba Government in return for more smelting and refining activity.

But, without exception, conventional governments lack the vision to see the possibility of a quantum leap from a resource base to an industrial complex. The extent of Canada's failure is evident from the following statement by Pierre L. Bourgault in his study for the Science Council of Canada:

> (") ***We are the world's largest producer of nickel, but we are net importers of stainless steel and manufactured nickel products .. .; we are the world's second largest producer of aluminum, but we import it in its more sophisticated forms such as ... precision aluminum parts for use in aircraft; we are the world's largest exporter of pulp and paper, but we import much of our fine paper and virtually all of the highly sophisticated paper, such as backing for photographic film; we are one of the world's principal sources of platinum, but it is all exported for refining and processing and re-imported in finished forms; we are large exporters of natural gas and petroleum, but we are net importers of petrochemicals; and although we are the world's foremost exporter of raw asbestos fibres, we are net importers of manufactured asbestos products. (")***[10]

Orthodox economics speaks of "linkages" between activities, by which one thing leads to another. It is clear that the reality is "blockages" by which one thing leads to more of the same. We began more than three centuries ago as "hewers of wood and drawers of water...." A decade ago, economic historians agreed that the pace and pattern of Canada's development was still fundamentally determined by foreign demand for its resource exports." And in the very recent past, which may be the harbinger of things to come, we are becoming increasingly reliant on staple exports, with employment in manufacturing stable or falling; that is, we are being subjected to a process of de-industrialization from an already weak base. In the long run, as Bourgault warns us, if we keep on this path, "before the children of today could reach middle

age most of the resources would be gone, leaving Canada with a resource-based economy and no resources." (p. 126)

At the root of our problem lies foreign ownership. In the resource industries, it means the export of staples in unprocessed form and the outward drain of surplus. In the manufacturing industries, it means a truncated, branch-plant structure with a high propensity to import parts and a demonstrated incapacity to export finished products, or even to hold the Canadian market without tariff protection. The combination is deadly. The government speaks one day of a "resources policy," the next day.of an "industrial strategy." The proper antidote is a new national policy that combines both, and that would mean, particularly in the resource sector, a much smaller role for the multi-national corporation, down to its complete elimination, and a much expanded role for the public ownership and operation of resource firms.

The Historical Experience

It is no exaggeration to say that throughout our history foreign domination of resource industries have been the key to our dependency -- and it is for that reason, as Jim Laxer has put it, that they are also the key to our liberation.[12] It has been our lot over the centuries, as we have moved from the French to the British to the American Empire, to serve as a resource supplier to more advanced and industrialized metropolitan areas.

Canadian history has been written in these terms by our best historians, and particularly by Innis:

> The economic history of Canada has been dominated by the discrepancy between the centre and the margin of western civilization. Energy has been directed toward the exploitation of staple products and the tendency has been cumulative. The raw materials supplied to the mother country stimulated manufacture of the finished product and also of the products which were in demand in the colony.... Energy in the colony was drawn into the production of the staple commodity both directly and indirectly. Population was involved directly in the production of the staple and indirectly in the production of facilities promoting production. Agriculture, industry, transportation, trade, finance, and governmental activities tend to become subordinate to the production of the staple for a more highly specialized manufacturing community.[13]

And again:

> ***Concentration on the production of staples for export to more highly industrialized areas in Europe and later in the United States had broad implications for the Canadian economic, political and social structure. Each staple in its turn left its stamp, and the shift to new staples invariably produced periods of crises in which adjustments in the old structure were painfully made and a new pattern created in relation to a new staple.[14]***

The history of Canada, then, is the history of its great staple trades: the fur trade, the cod fisheries, square timber and lumber, wheat, and the new staples of this century-pulp and paper, minerals, oil and gas. Let us try to draw some lessons from that historical experience.

The pattern of development and underdevelopment, of metropolis and hinterland, are evident in the early staples of fur and cod. The attraction of the New World for the Old World was its resources. Initial interest was in precious metals, and the plundering and looting of colonial people, particularly in Central and South America, was an important source of primitive accumulation for Europe.

Promoters -- also called explorers -- were driven as well by the search for a passage to the Orient. Permanent settlement tended to be discouraged and even inhibited, taking place only if necessary to resource exploitation and then to be contained to that necessary for resource exploitation. Hence, in both the fisheries and the fur trade, settlement was actively discouraged. In the fisheries, English West Country fishermen discouraged settlement in Newfoundland, and Newfoundland was long denied responsible government in the hope of making it a less hospitable place to live year-round.

In the fur trade, the word "trade" is critical. The traders made contracts with the Indian who did the trapping, collecting and transporting; the white man penetrated the interior over time only by necessity, as the beaver was destroyed in the closer area, and under the exigencies of competition between English and French traders, and later between the Hudson's Bay Company and the Northwest Company. The fur trade companies consistently refused to establish viable settlements for fear of competition in the trade from interlopers, and New France was to receive a sufficient infusion of settlers to guarantee survival only because of the intervention of the French state in the 1660s.

The Hudson's Bay Company was a predecessor to the giant multi-national resource corporations of today. Its charter of 1670 gave the company "the sole trade and commerce of all these seas, straits, bays, rivers, lakes, creeks and sounds... that lie within the entrance of the straits, commonly called Hudson Straits," and the Company's powers were further defined as "true and absolute lords and proprietors of the entire territory." **Profits, or surpluses, were enormous. Fifty years after incorporation, the original investor of £.100 would have received 343 per cent in dividends plus stock bonuses of £.800. Kierans, after citing these facts in his** *Manitoba Report***, continues: "Despite the improvement in the fortunes of the shareholders, the existence of the inhabitants and trappers of the region remained marginal, precarious and at a subsistence level." (p. 4)**

When the importance of the fur trade to empire declined, and the attractions of the Canadian West to outside capitalists shifted to opening it up to settlers, wheat growing and railways, **the Bay Company's sovereignty was removed, that is, transferred at a handsome price to the new Government of Canada. The intent of the federal government was, in effect, to take over the mandate of the Company and to administer the West as a territory of the Dominion. The Métis under Riel were able to obtain provincial status for Manitoba, but, unlike the other provinces, Manitobans were not given control over their resources. This practice was extended with the granting of provincial status to Saskatchewan and Alberta in 1905, and the three western provinces were not given their proper rights until 1930**. Under the guise of managing resources "for the purposes of the Dominion," the federal government alienated vast sections of land into the hands of the CPR**,** and gave the latter a monopoly which was broken only under intense pressure from the western farmer and with compensation paid to the CPR. **It also worked out a "national policy" which drained surplus from western Canadian farmers to eastern capitalists, who in turn channelled much of it to British bondholders and American corporations. The late Vernon Fowke of the University of Saskatchewan, a student of Innis and the West's most important economic historian, was right to see the wheat grower as the successor to the Indian as "native" producer of the staple product, and as a hinterlander to be exploited.**[15]

The legacy of the cod-fisheries for the Atlantic Provinces is their underdevelopment. Per capita incomes are 30 per cent below the average for Canada, unemployment runs about 50 per cent higher, and there is proportionately less manufacturing than in Canada as a whole. The obverse of the latter

is that the Atlantic Provinces have a greater proportion of workers in primary industries; that is, resource industries are proportionately more important for the country as a whole, that being a characteristic feature of underdevelopment. Mining accounts for 13.4 per cent of net commodity production and forestry for 4.2 per cent. Nova Scotia produces almost 80 per cent of Canada's gypsum, but the bulk of this is shipped to the U.S. for processing into wall board and other items which are then sold back to Canadians. A study by Roy E. George, *A Leader and a Laggard: Manufacturing Industry in Nova Scotia, Quebec and Ontario* (1970) shows that transport costs are a problem, but not a primary cause of underemployment. It also shows that the absence or high cost of materials and fuels and inadequate supplies of hydro-electric power are not sufficiently significant to explain the lack of manufacturing development relative to central Canada.
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Vested interests in the metropolis notwithstanding, the fisheries led over time to permanent settlements, and to the development of shipbuilding and the carrying trade. Unlike New England, whose economy was similarly based, the Atlantic Provinces remained in the British Empire. In the short run, this meant the benefit of imperial trade preferences, notably for square timber from New Brunswick, and the general expansion of shipbuilding and the carrying trade. But as Britain moved to free trade and the removal of special status for its colonies, the Maritime Provinces discovered that, rather than being able to create their own industrial base, they simply became a hinterland of Central Canada within the new Confederation.

Tom Naylor has shown how Central Canadian banks took over the banking system of the Maritime Provinces -- hence the anomaly of the head office of the Bank of Nova Scotia being in Toronto -- and that local banking which tended to aid industrial development was replaced by external control and the draining of surplus out of the region. The tariff attracted American branch plants to Canada, but mostly to central Canada where it was easier to form capital. The tendency of capitalists' development to be uneven has been accentuated by the tendency of foreign-controlled capital in Canada to be even more mal-distributed regionally than Canadian-controlled capital. The geographer Michael Ray estimates that 45 per cent of American-controlled manufacturing employment is within 100 miles of Toronto, 64 per cent within 300 miles, and 83 per cent within 400 miles, and calculates that if American-controlled manufacturing employment had the same distribution as Canadian-controlled employment, there would be an approximately 20 per cent increase in employment for the Atlantic Provinces.'[7]

The moral of the story is that the failure to establish indigenous control over resources, and to escape from the metropolis/ hinterland bind, is crippling in the long run. The solution, as Archibald argues -- much of the above is drawn from him -- is regional public ownership in the context of national planning. As he says:

> (") Public ownership of the resource industries in the Atlantic provinces would not only ensure that a more reasonable price could be obtained for these raw materials which were to be exported, but also the retention of the economic surplus being produced by the workers in the region. This could then be put to use in developing the manufacturing industries ... (")

Imperial preference created the basis for a square timber trade not only for New Brunswick but also for Quebec City, spreading ultimately up the Ottawa River. Over time, the British market for square timber was replaced by the American market for sawn lumber -- the latter representing the first example of what

has now become common, namely, America's depletion of its own resources, in spite of the abundance of its original endowment, and the search for supplies from the rest of the world, and particularly from Canada, given our proximity and our eagerness to be assaulted. **The title of A. R. M. Lower's book,** *"The North American Assault on the Canadian Forest,"* **could be used to describe a wide range of cases, merely by substituting other words for "forest." The continentalism inherent in the lumber trade is evident in the impetus it gave to the** *Reciprocity Treaty of 1854***, which first formally defined for Canada a special status within the American Empire,and in the tendency for American businessmen to migrate northward and establish themselves in the Canadian industry; by the late 19th century and thereafter, the migration has been by the multi-national corporation and the control has become perpetual.**

Another striking feature of more general relevance was the tendency of the industry to mine rather than to conserve. Hence, the great pine stands of Simcoe, Muskoka and Parry Sound are no more, and a once-prosperous area has regressed to subsistence farming and to tourism. In the Ottawa Valley, lumbering encouraged some local development in agriculture and commerce, but once the resource was depleted the population was stranded. This is to suggest that present talk about, for example, the jobs that will be created in the service sector around oil and gas development in the Arctic, should be taken with a large grain of salt; such activity has no viability independent of the resource base, and in that particular case the resource is clearly non-renewable.

There is a moral here of profound importance: that conservation matters, that once resources are mindlessly depleted all that is left are impoverished people and ghost towns. What will be left of Sudbury after its nickel is depleted, or of Calgary with its 400,-000-plus inhabitants after Alberta oil and gas is gone?

Meanwhile, back on the farm, the new menace is agribusiness. Much of the urban wealth of this country, that of Winnipeg in particular, was created by surpluses ripped-off the western wheat farmer. Yet, as Roy Atkinson of the National Farmers Union has observed, the farmers are now a dying tribe, with their quaint institutions, like the family farm, deserving of study by anthropologists. The consequences are profound. The farmer, though long exploited by the banks and the moneylenders, the railways, the grain speculators, the elevator companies and the eastern industrialists, was an independent owner; now he is being reduced to something like a mini sub-contractor of the multi-national corporation. **It is not because he hasn't tried; in terms of productivity gains, agriculture has consistently outperformed manufacturing -- where the corporation rules supreme. The spread of agribusiness -- which, like our industry in general, will be predominantly under foreign control-promises to reduce our agriculture to the second-rate status of our manufacturing sector.**

Nor is that all. Whatever the corporation touches, tends to deteriorate. The many cheese factories of Ontario once produced world-famous cheeses; now Kraft pushes them to the wall by colluding with the Ontario Milk Board to deny them milk, and itself produces a genuinely new product called "corporate cheese." As the corporation spreads its tentacles, it is becoming increasingly unsafe to eat food -- which is no small matter -- so perhaps it's all for the best that it's becoming too expensive to buy.

As for the western grain farmer, capable of growing surpluses to feed the hungry at home and in the Third World, his new role is to produce meat for the affluent of North America. There could be no more striking evidence that continentalism is indeed not internationalism.

The new staples of this century have a number of characteristic features:

The export market is overwhelmingly in the U.S., which has meant increasing integration of the Canadian economy into a continental structure.

The instrumentatility of resource exploitation is the multi-national corporation, and it is a highly efficient instrument for appropriating not only the resource, but also the economic surplus for the benefit of the metropolis, with benefits for Canadians being coincidental and haphazard.

The production of the staple increasingly uses large amounts of capital, or machinery, and relatively little labour -and much of the machinery is imported. As a result, the effect on jobs of staple production has declined, with oil and gas, for example, having a decidedly lower labour-component than wheat and it is that component, and little else that constitutes the economic benefit for Canadians.

In effect, the new staples reinforce and accentuate tendencies inherent in staple production. **Rather than the Canadian economy becoming more mature and diversified, we find instead that we are increasingly dependent on the U.S.;** increasingly dominated by a handful of giant multi-national corporations; and increasingly saddled with an underdeveloped industrial structure.

Our historic role as a resource-exporter has clearly left us ill-prepared for the heightened competition that is characteristic of the new era of inter-imperialist rivalry into which the capitalist world has moved. Indeed, the possibility, that is increasingly becoming a reality, is that further resource exploitation for exports will bring into play mechanisms of de-industrialization that will reverse previous industrial gains painfully made.

De-Industrialization

That benefits for Canadians are small, or even negative, can be established by looking again at present and planned development in the Mackenzie Valley Corridor and the Arctic. In our investigation we will identify four mechanisms of de-industrialization.

Exploring for oil and gas and bringing it to well-head creates few jobs directly. Building pipelines creates some jobs, but on a one-shot basis. If direct employment is small in general, it is even less for the native people and mainly in low-paying manual jobs. For instance, during the construction of the Pointed Mountain Pipeline, only 30 native people were employed for a maximum of three months, while 320 workers were brought in from the South. In 1970, after the federal government had invested $9 million in Panarctic, it had employed only 6 natives at $1.75 an hour.

The results of this are profound. While the majority of the population in the North West Territories is still native people, the pattern is quickly changing, particularly in the Mackenzie Delta where the biggest oil and gas play is taking place. ***Ten years ago, the town of Inuvik had 1,000 native inhabitants; today, there is a population of 3,000 and the majority is white. Furthermore, the whites live in modern, subsidized housing, the natives in shim conditions. What begins as an employment effect ends up creating a segregated town and racial discrimination. The losers just happen to be the original people, those who are, in lawyer Peter Cumming's moving phrase, "truly of the very land that they occupy."*** The multi-national corporation and the Canadian state have become invaders, creating a pattern of oppression that we like to imagine is found only in Third World colonies.

Tax revenues, which might potentially be used to encourage industrialization, will be slight. Oil and gas companies don't pay corporate income taxes, except in theory, and royalties have been set particularly low in the North West Territories -- at between 5 per cent and 10 per cent, compared to 16.7 per cent in Alberta and 20-22 per cent in Alaska -- to encourage exploration for high cost gas and oil.

The first potential de-industrialization effect arises with respect to the financing of the pipeline. The proposed gas pipeline will partly be financed inside Canada, and to that extent will attract capital away from manufacturing and limit potential jobs in that sector. It will partly be financed by importing capital, and to that extent, will drive up the value of the Canadian dollar on the foreign exchanges. That, in turn, increases the cost of exports, decreases the cost of imports, and by both routes destroys jobs.

To offset this latter effect, capital imports would have to be fully offset by importing pipe, etcetera. The pipeline consortium now appreciates this point and argues that this is what will be done. Of course, to the extent goods are imported, the favourable effects on employment while building the pipeline, which the consortium constantly cites, are reduced.

Now the ultimate *raison d'être* **for all this development is the voracious U.S. appetite for oil and gas. The Mackenzie Valley gas pipeline is primarily intended to carry Prudhoe Bay gas, but Mackenzie Delta gas can be piggybacked. At least 95 per cent of the throughput will initially go to the U.S. This alienation of Canadian resources for the U.S. market cannot have any other long-run effect than to raise energy costs in Canada. The American industrial base is strengthened, while Canada's industrial potential is eroded. This is a second, and potent, de-industrialization effect; even the Davis Government in Ontario is worried, and they don't worry easily.**

It is this harmful effect on Canadian industry, rising energy costs, that also underlies Ontario's concern about Alberta's intention to force up oil and gas prices. The point may seem obvious, but in fact it is a complicated problem that is indicative of the bind that hinterland countries get put in. **The Social Credit government of Alberta did not exactly bargain with the oil companies with the shrewdness of an Arab sheik, and it may seem laudable for the new Conservative government to increase royalties. But the fact of the matter is that Alberta has signed, and remains bound to, royalty agreements that entitle its government to one-sixth of gross revenues.** To get the additional $70 million revenue that the government now wants will therefore require price increases of $420 million in gross revenues. **The remaining five-sixths of $350 million goes to the handful of giant companies which control the licenses for oil and gas in Alberta.** Since Ontario imports significantly from Alberta, its oil and gas costs will go up significantly more than $70 million. That is, in order to re-distribute income from Ontario to Alberta -- if that is thought desirable -- a payoff has to be made to the oil companies. It is this latter effect, of course, that explains why the oil companies are not objecting to what Lougheed is doing. Nor is that even the end of the story, for Ontario's energy costs will rise significantly more than costs in the U.S. as a result of Alberta's move. While the U.S. will also pay more for Alberta gas, high-cost Alberta sources are relatively less important to them; and the effect on the average cost of gas is therefore less.

The same phenomenon, with adverse effects on Canadian manufacturing, will tend to operate with respect to Mackenzie Delta gas once it goes on-stream. It is estimated that Delta gas, coming out of a

pipeline in Chicago, will have cost $1.25 M.C.F. but that Chicago consumers will pay only 45 cents M.C.F. This may seem absurd, but in the crazy world of oil and gas economics almost anything is possible. This particular number works because small quantities of Delta gas will be mixed with large quantities of much cheaper gas, the whole mixture averaging out to less than 45 cents M.C.F. But just as Ontario is much more reliant on Alberta gas than the U.S., so it will be compelled to become much more reliant on Delta gas, precisely because so much Alberta gas has been alienated to the U.S. market. *The Deutsch Report* **for the Ontario government comes down on the side that the Mackenzie Valley gas pipeline should be built, because Ontario will need the gas; it implies that increasing supply will moderate price increases in Ontario. But the actual effect will be precisely the opposite.**

It is worth pointing out that the absurdity involved runs even deeper and it is not simply an Ontario problem. That gas which costs $1.25 M.C.F. should sell for 45 cents can be explained, but not justified. If consumers were made to pay the marginal cost rather than the average cost - - a rule which appeals to economists and would make sense to a socialist planner -- then not only would Delta gas remain in the ground for some time, but gas prices would rise in the U.S. This would encourage increases in domestic supply and decreases in demand through less wasteful use, and the world would be better off.

There is another de-industrialization effect that grows out of the export of Canadian oil and gas to the U.S. The oil and gas embodies little Canadian labour, but its importation by the United States encourages Americans, given their serious trade problems, to insist that Canada buy back manufactured goods which embody relatively more labour. The result is the destruction of jobs in Canada. This third de-industrialization mechanism may be very much in evidence in Canada in the balance of this decade.

Finally, as the first Innis quote implies, resource development in this country tends to become a mania, absorbing energies in a cumulative fashion and reducing our capacity to consider alternatives. In the contemporary context, that means never getting around to working out an industrial strategy. It also means not achieving our potential for industrial growth, for more jobs and more diversified employment opportunities. Instead we have the Donald Macdonalds who think that the only way to create jobs is to give free rein to the multi-national corporations -- indeed, to bribe them, the better to rape us. This fourth de-industrialization effect, this imposition of blinders, is ultimately the most powerful of all.

The essence of the relationship between resource exploitation and the combined forces of development and underdeveloped can perhaps be put most starkly by considering the case of Sudbury and nickel. Nickel is a classic example of the new staple-mostly exported to the U.S., and capital-intensive from the outset and increasingly so over time.

Over the past ninety years, the wealth of minerals taken out of Sudbury is unquestionably enormous, but little has remained in Sudbury. Now surpluses drained from Sudbury enable Inco to develop new and distant mines that will be to Sudbury's disadvantage.

It is true that the employees in the mines and mills are the highest paid of any in North America -- a tribute not to Inco and Falconbridge, but to the historic militancy of the unions -- but labour turnover is high, and living conditions for migrant workers oppressive.

Nevertheless, if we count that as development, then take note that with a population of 100,000 there are at the most 1,000 jobs in manufacturing in Sudbury -- and count that as underdevelopment. Sudbury is located on the trans-continental rail line -- the nickel was discovered while building the CPR -- and is now on the Trans Canada gas pipeline, and it has good access to water and to hydro-electric power. Yet even the refining of nickel is in Port Colbourne, not Sudbury. Incidentally, it was only moved there from New Jersey by fiat of the Canadian Government during World War i to block Inco selling to the Germans *(the Nazi regime --ed.)*

It is unnecessary to dwell on the environment of Sudbury, although it is perhaps not widely known that U.S. astronauts have been trained on this company-created moonscape. After the nickel runs out, will anything be left but the monumental scarring?

The political implications of this analysis, for political action and for a political program, should be evident by this point. The case for public ownership of the resource industries, and particularly of the energy resource industries, is overwhelming. It is important, however, that what results is socialism and not expanded state capitalism: that ownership be regional, planning national, and decision-making communal.

With respect to the array of big resource developments in oil and gas and hydro-electric power, the case is similarly overwhelming for moratoria -- until, in each case, there is adequate environmental protection, a full respecting of the legal and moral claims of the native peoples, and a demonstrable need for the resources within Canada.

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(Canada) Ltd.: The Political Economy of Dependency

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(Part 6) Canadian Manufacturing and U.S. Trade Policy

Jim Laxer

(All emphasis by the Web Ed.)

Instead of developing its own domestic manufacturing, Canadian capitalism has invited foreign corporations, particularly American, to enter Canada to establish branch plant firms. This phenomenon has been developing since the time of the National Policy in the late 19th century. Branch plant corporations now dominate manufacturing in most of the key sectors, such as transportation equipment, electrical products, machinery, chemicals, rubber and plastics and petroleum products.

Since World War 2 foreign corporations in resource extraction and in manufacturing have become so dominant in Canada that they have replaced Canada's native trading and banking bourgeoisie as the predominant force in the Canadian state. Foreign corporations manage the Canadian economy and state in their interest, and distort and confine Canadian development within a framework that is most profitable to them.

Branch plant manufacturing in Canada developed behind the wall of the Canadian tariff. It was established to exploit the Canadian domestic market. Prior to World War 2, it was a means by which American corporations could get behind the tariff wall of the British empire. Canadian capitalists, specialists in profiting through enlarging the volume of trade rather than through producing themselves, were the architects of this sub-imperial strategy, which featured Canada as the place in the British empire where the Americans did their manufacturing.

As long as the British empire remained a significant economic entity in the world, the sub-imperial strategy had meaning. But the growing disparity in power between the United States and Britain between the World Wars, and then finally in the post-1945 period, spelled the end of this strategy. **During the 1920s and 30s Canadian trade shifted significantly away from the classical east-west axis of the wheat economy and the national policy. As British and European markets for Canadian foodstuffs declined, American markets opened up for Canadian mineral resources. American direct investment entered Canada on the heels of retreating British portfolio investment. Following 1920, Canada was becoming an increasingly important source of raw materials for the United States, at the same time as American firms were expanding their Canadian operations in the production of industrial goods, in the new growth industries such as automobiles, electrical products and chemicals.**

This rise of American branch-plant manufacturing in Canada has established the key institutional form within which the bulk of commodity production takes place in Canada. Since World War 2, Canadian manufacturing has lost its role in supplying American goods to Commonwealth countries. Instead, Canadian manufacturing is now locked into an overwhelmingly American orbit; its primary purpose is simply to hold the Canadian domestic market for American goods. The branch-plant manufacturing sector has not been designed since World War 2 to enter export markets. The decline of the earlier sub-imperial strategy of Canadian capitalists is reflected in the almost exclusive reliance of Canada on trade links with the U.S. since World War 2. At the same time as the United States has been declining relative to other capitalist countries over the past two decades, Canadian trade has been centred even more on the United States. Between 1950 and 1970 the proportion of Canadian exports destined for the American market has increased from 60 per cent to 68 per cent, while during the same period the proportion of Canadian imports from the United States has increased from 67 per cent to 71 per cent.[1]

The twin features of Canadian government policy after World War 2 were encouragement of resource development in Canada and an open door for the continued build-up of branch plants of U.S. corporations in Canada.

As Canada has moved more completely into the American economic orbit, the nature of the American impact on the manufacturing sector of the economy has altered. Since World War 2 Canada's manufacturing industries can increasingly be characterized as warehouse assembly operations which rely on imports of technology, machinery and parts and components. Moreover, as U.S. investment in Canada has more and more derived from the reinvestment of profits made in Canada and from loans on the Canadian money market, the net flow of interest and dividends out of Canada has surpassed the inflow of new foreign investment.

Approximately half of Canada's manufacturing is located in Ontario, including the bulk of heavy manufacturing, one-third is located in Quebec and the rest in the west and the Maritimes.[2]

A striking feature of Canadian manufacturing is the relatively small percentage of the country's work force it employs. In 1965, only 24.5 per cent of the paid non-agricultural work force in Canada was employed in manufacturing. By 1971, the percentage had dropped to 21.3 per cent.[3]

Among western countries, only Greece and Ireland have a lower percentage of their work force employed in manufacturing. For the United States the comparable figures are these: in 1965, 29.7 per cent of the paid non-agricultural work force was employed in manufacturing; in 1971 the figure was 26.3 per cent.[4] The disparity in proportions of the work force employed in manufacturing in Canada and the United States is not, of course, accounted for through greater Canadian productivity. In 1970 while Canadian manufacturing activity accounted for 20 billion dollars in value added, U.S. manufacturing activity accounted for 300 billion dollars in value added -- a ratio of 3 to 2 in terms of the size of the two economies.[5]

The qualitative make-up of the manufacturing sectors in the two countries differ as fundamentally as these broad quantitative differences. While durable goods production involves the employment of less than half the manufacturing workers in Canada, it involves the employment of 60 per cent of manufacturing workers in the U.S.[6] It is revealing to examine manufacturing sector by sector in comparing Canada with the U.S. Canada has relatively greater manufacturing employment than the U.S. in only three categories: food and beverages, tobacco products and wood products. In all other categories there is relatively greater U.S. employment. This is particularly the case in high technology industries such as machinery, electrical products, chemicals and scientific and professional equipment. Extremely significant in understanding the nature of American dominance of Canada in manufacturing is the production of machinery. Production in this sphere, of course, makes possible industrial production in all other categories. In 1971, there were 72,800 workers employed in this field in Canada and the value added in the industry was just over 700 million dollars. In the U.S. there were 1,791,000 workers employed in this category and value added totaled over 31.5 billion dollars. In other words, while U.S. relative employment in this field was two-and-a-half to one compared to Canada, the value of U.S. relative output was four-and-a-half to one compared to Canada.[7] In 1970, Canada imported 1,783,268,000 dollars worth of machinery, more than the total value of machinery produced in Canada, and of this amount 1,421,809,000 was imported from the United States.[8]

In 1970 in the field of production of electrical products, while the ratio of American relative employment was about one-and-a-half to one compared to Canada the relative ratio of value of output was over two to one. In the production of chemicals the ratios were about the same. In the production of scientific and professional equipment, the relative ratio of Americans to Canadians employed is three to one.[9]

In general, United States manufacturing is markedly superior to Canadian manufacturing in quantitative and, more significantly, in qualitative terms. Canadian manufacturing tends to be characterized by a relatively high level of capital investment and by a relatively low level of proportional employment. That the shape of Canadian manufacturing is a direct result of its branch-plant character is further amplified by examining both the nature of Canadian trade and the effect on Canadian industry of reliance on the importation of foreign technology.

Canada has been a net importer of most types of manufactured goods and has been paying for these with net exports in pulp and paper, minerals, primary metals, lumber, wheat and whiskey.[10]In 1970, Canada imported over eight-and-a-half billion dollars worth of manufactured goods from abroad and exported six billion dollars worth of manufactured goods."

Canadians are by far the world's leading importers of manufactured goods, amounting to $463 per capita per year in 1969 compared with $239 per capita per year in the European common market, $116 per capita per year in the United States and $31 per capita per year in Japan."[12] While imports of manufactured goods in 1970 amounted to nearly 20 per cent of the final value of the manufactured goods produced in Canada, in the United States imports of manufactured goods amounted to only 4 per cent of the final value of the manufactured goods produced in the United States. It is significant that the four per cent figure was regarded in the United States as so high that it merited measures to protect American manufacturing. **Many Canadians were still wondering whether any problem existed in the field of manufacturing with nearly five times the invasion of the domestic market with foreign-manufactured goods.**

In major high-technology industries that have been growing rapidly in the industrialized countries over the past ten years, Canada has been left behind, and has been running up increasing trade deficits. This is true of the plastics industry, pharmaceutical products, scientific instruments and electronic computers. It is highly significant that in science-intensive manufacturing, based on minerals in which Canada is a world leader at the level of raw extraction, the country is often a net importer of the finished product. Canada is the world's largest producer of nickel, but a net importer of stainless steel and manufactured nickel products; as the world's second largest producer of aluminum, Canada nonetheless imports it in its more sophisticated forms. As the world's largest exporter of pulp and paper, the country imports much of its fine paper. Canadians are net importers of petrochemicals in spite of their large exports of natural gas and oil. Canada is a net importer of manufactured asbestos products.[13]

It is ironic to note the way government agencies attempt to explain the continued reliance of Canada on resource exports. In the chapter on Mines and Minerals of the *Canada Year Book, 1972,* the Mineral Resources Branch of the Department of Energy, Mines and Resources proudly reports that while the manufacturing sector of the economy has been in serious trouble in recent years, Canadian mineral production was experiencing an 11 per cent annual growth rate. **The report notes that in spite of the enormous increase in Canadian exports of end products due to the Canada-U.S. auto pact, exports of raw materials have maintained their high percentage of total Canadian exports over the past decade.** The chapter states:

> ["]The great size of Canada's mineral industry is based largely upon export sales. Apparent domestic minerals consumption is equivalent to proportions of mineral output ranging from 6 per cent for potash and nickel to about 20 per cent for iron ore and about 43 per cent for copper. The value of minerals and fabricated minerals exported in 1970 was 90 per cent of mineral production value.
>
> Exports of minerals and fabricated mineral products have led several great and sustained booms in the Canadian economy in the past and they have been a major factor in the surge in recent Canadian export trade.["][14]

In spite of statements by people like Donald Macdonald, Canada's minister of energy, mines and resources, that the country's future depends on further resource development, it is becoming apparent that resource development as an alternative to manufacturing is a strategy involving seriously diminishing returns. A recent background study for the Science Council of Canada included the following statement on the growing problem of expanding mineral output in Canada:

> ["]While mineral reserves .. . have noticeably increased in recent years as a result of accelerated exploration activities, the growth in reserves has not been proportionate to increases in production. Indeed the relationship of reserves to annual production in 1967 was less for several minerals than it was in the mid-1950s. ... Exploration expenditures of up to $1 billion a year by 1985 (in '68 dollars) will be necessary to sustain a 4.5 per cent growth in this industry.["][15]

The study points to potential reserve problems in nickel, copper and natural gas. It concludes that the life index for many of Canada's minerals is not as favourable as are those of certain other countries. It warns that exploitation at a too-rapid rate would move Canada up the cost curve ahead of other countries, and would make Canada a high material cost country.[16]

The Science Council study points to the link between branch plant manufacturing in Canada and the low level of technological innovation in the Canadian economy. In spite of spending relatively high amounts per capita on education, Canada is near the bottom among developed countries in technological innovation. One reason for this is the fact that where end-product manufacturers are foreign-owned, they normally import technology wholly conceived from the parent company. This means that parts and components for end product manufacturers are usually designed according to specifications also developed by the parent company. Companies engaged in end-product manufacturing and companies which produce parts and components often establish interconnected research communities which operate in the field of product innovation. This process cannot develop in a branch plant economy where would-be local suppliers have to compete with foreign firms with several years lead time in producing parts and components for new end-products.[17]

In the 1960s, the federal government attempted to promote research and development in Canadian industry through generous tax incentives. Many corporations established research and development components, which they promptly shut down at the end of the Sixties when the government ended the tax incentives.[18] The government theory that the companies would get into the habit of innovating once they set up R and D units was disproven by experience.

The stagnation of innovative activity in high technology industries in Canada is revealed by the fact that between 1969 and 1971, of the 25,000 scientists and engineers graduated in Canada, only 2,000 got jobs in manufacturing. In the early sixties, half the graduates in these fields were hired by manufacturing firms.[19]

The tendency for foreign-owned manufacturing to become warehouse-assembly operations is increasing Canada's dependency on foreign technology and also on foreign manufacturing for many of the stages that go into the production of goods finished in Canada. This phenomenon shows up drastically in certain industries. For example, the production of office and store machinery, is a Canadian industry in which only 25 per cent of the employees are involved in production. Of $297 million value added in the industry in 1969, only $84 million came from manufacturing activities. The rest came from sales and service.[20] Obviously these branch plant operations do little more than finish American manufacturing in Canada. It is not surprising that the industry then lobbies the federal government to reduce tariffs in this field so that parts and components can be imported more cheaply. **Far from advocating protection from foreign competition as independent manufacturers in developed countries often do, these so-called manufacturers behave like importers who are working to open up the country to further manufacturing imports.**

A further effect of the branch-plant nature of Canadian manufacturing is to be found in the existence in Canada of a large number of competing foreign firms in many lines of production in Canada. The fact that many large U.S. companies locate in Canada means that each of them tends to be inefficient in not having a large enough market to achieve maximal efficiency. Thus the Canadian market, already small in comparison to that of the U.S., is fragmented by foreign ownership.

It is often thought that because Canada's market is slightly less than 10 per cent of the U.S. market, that Canada is doomed to inefficiency in manufacturing and poor performance in high technology industries. But it makes much more sense to compare Canada's performance with that of the second tier of capitalist countries. The U.S. market is five times as big as that of the second largest capitalist market, West Germany. The West German market is two-and-a-half times as big as Canada's. In the range between West Germany and Canada fall the following countries: Japan, France, Britain and Italy. For the European countries mentioned which are in the European Common Market, their own domestic markets rather than the markets of all Europe remain overwhelmingly important for the sale of high-technology manufactured

goods.[21]

Canada's performance in most high-technology manufacturing in comparison to these second-tier capitalist countries is poor indeed. The only conclusion one can draw is that this stems not from the size of the Canadian market but from the dependent character of Canadian capitalism.

The uniquely high level of Canadian per capita manufacturing imports, of course, cuts down the manufacturing sector of the Canadian economy and the number of jobs *i*n it. If Canada reduced its level of imports of manufactured goods to the U.S. per capita level, a new domestic manufacturing market of over 7 billion dollars a year would be created. Supplying that market with domestically-produced goods would substantially reduce Canadian unemployment.

Having looked at the general characteristics of Canada's branch plant manufacturing sector, let us now examine the specific case of the automobile industry in Canada and this country's experience with the Canada-U.S. auto pact.

In 1965 the Canada-US Auto Pact was started as a means of rationalizing the North American automobile industry. It sought ultimate free trade in assembled autos and in auto parts. One continental auto market, serviced by giant American producers, was the vision. It meant that Canadian auto plants would not be geared to producing for the Canadian market. Instead they would produce for segments of the entire North American market. The pact was rightly condemned by many Canadians as a step toward a fully-integrated economy.

Had the Auto Pact not emerged, Canada would have been forced to take protective steps to guarantee the reservation of Canada's market for the sale of cars produced in this country. Considering that Canada's auto industry is almost entirely foreign-owned, there would have been long term pressure in favor of producing a Canadian car, either with government assistance or public ownership. The Auto Pact had the effect of preventing pressure to follow the Swedes and other Europeans, who have produced their own cars.

The condition of the Canadian auto industry in 1964 is striking proof, for those who need it, that foreign ownership does not bring efficiency and competitiveness. After all, the Canadian auto industry was 100 per cent foreign owned, and yet it was so uncompetitive that it couldn't maintain control of its own domestic market, let alone export its products.

The Auto Pact contained the following safeguards for Canadian auto production:

(1) The provision of a base level of production in Canada below which Canadian production could not go. This level was calculated in terms of 1964 as the base year. It provided that production could not fall below the dollar value of autos and auto parts produced in Canada in 1964. Nor could it fall below the ratio of production in the auto industry to the sale of North American cars sold in Canada in 1964. In that year Canada's share of North American automotive production and sales was roughly 5.3 per cent and 9.1 per cent, respectively. Whichever figure was higher from these two methods of determining the Canadian production floor would be the one to apply.

(2) An undertaking that, as the sales of North American cars in Canada increased, so too would auto production in Canada. Increases in sales of cars were to be matched by at least an amount of production equivalent to 60 per cent of that increase. For commercial vehicles the increase was to be at least 50 per cent.

(3) A third safeguard came in the form of an agreement not between the two governments but between Canada and the four U.S. auto corporations. The U.S. auto firms, in letters of commitment, agreed to increase Canadian production over and above the pact's safeguards by the following additional amounts by the end of 1968: General Motors $121 million, Ford $74.2 million, Chrysler $33 million and American Motors $11.2 million. The commitment of the auto producers was achieved by the end of 1968, after which it expired.[22]

Many with short memories might imagine that the growth of the Canadian auto industry since the signing of the auto pact has been the most dramatic chapter in the history of the industry in this country. But far from being a recent industry just getting off the ground here, Canada has been firmly established in the auto industry from the first decade in this century.

The auto industry is perhaps the best example of an industry where Canadian businessmen who were in at the start failed to maintain control of their firms. Canada's best known auto magnate was R. S. McLaughlin of Oshawa, Ontario. In 1907 he signed a contract with the Buick Motor Company of Flint, Michigan for the importation of Buick engines to his Oshawa plant, where they were installed in McLaughlin's assembled cars. In 1915, McLaughlin organized the Chevrolet Motor Company of Canada to produce Chevrolets under agreement with American Chevrolet.

During these years McLaughlin owned these two firms in Canada and made use of U.S. technology by contracts with U.S. firms. His weakness as an independent capitalist was his dependence on the higher level of U.S. technology and mass production techniques in the production of engines. In 1918 the McLaughlin enterprises met a familiar fate. The two companies were sold to General Motors and were reorganized as General Motors of Canada.[23]

The Canadian auto, industry had now moved into phase two of its history. The American industry now owned the Canadian firms. The Canadian tariff forced them to manufacture in Canada if they wanted this country's market. They were further enticed to do so because their plants in Canada were located not only behind the Canadian tariff wall but also that of the British empire. Autos produced here could be sold directly in other British empire countries.

The decade of the 1920s was one of rapid growth in auto production in Canada. By 1929 the industry produced 263,000 vehicles of which 102,000 were exported.[24] A nation of under ten million people outproduced all the great nations of Europe including the United Kingdom, France and Germany. In world terms, 1929 was the high point of the Canadian car industry.

During the depression of the 1930s and the war years, Canadian auto production was cut back sharply (although Canada's production of war vehicles was mammoth during the Second World War). By the time the industry found itself in a situation of "normalcy" again in the late 1940s, it faced competition from the exporting nations of western Europe. Auto production in Canada slowly grew to a high of 481,000 vehicles in 1953 and then slumped by 1960 to 396,000 vehicles. In that same year Canada imported 180,000 cars, mainly from the UK *(UNITED KINGDOM, I.E., BRITAIN)* and Europe, while its exports were a mere 20,000.[25]

In a period of three decades the Canadian auto industry had plummeted in world terms, compared to countries like Germany which produced 2 million cars in 1960. Furthermore, since 1929 the Canadian industry had experienced a clear decline in the number of jobs it provided relative to the growth of the work force.

By the beginning of the 1960s, it was clear to all that the Canadian auto industry was in grave trouble. In response to this situation, the federal government established the Royal Commission on the Automotive Industry under economist Vincent Bladen to investigate.

Looked at from the perspective of the early sixties, the issue was whether Canada's auto industry would be integrated into the American industry or whether it would be rationalized to produce for the Canadian market. While the Bladen Commission came down in favor of an approach never implemented, which attempted to avoid this choice, some of the briefs to the Commission did advocate one or the other alternative. Some of these briefs are of interest today.

Naturally, the U.S. auto manufacturers favoured increased integration of the Canadian with the American

auto industry. And, not surprisingly, the Canadian parts producers, generally small firms, many of them Canadian-owned, opposed integration and advocated greater protection for themselves.

The United Auto Workers were clearly split internally on the issue. The Canadian district of the UAW *(US-based United Autoworkers Union from which the Canadian CAW split in 1988 --Ed.)* **with its brief endorsed by the Canadian Labor Congress, favored integration. The UAW brief stated:**

> ***["]In essence, we suggest that the Commission examine the feasibility of an international agreement which would permit free trade in the products of any motor vehicle manufacturing company provided that the company produced in Canada or had produced for it in Canada, a quantity of motor vehicles and parts, sufficient to assure maintenance of current levels of employment at current production volume and future increases in employment parallel with the growth of the company's Canadian market.[26]***

This approach was precisely the kind adopted by the Auto Pact a few years later, a fact which led the UAW to claim credit for the pact once it had been achieved.

Local 444 of the UAW (Chrysler, Windsor) and the General Motors council of the UAW, however, did not agree with the national office or the CLC *(Canadian unions' umbrella organization, Canadian Labor Congress --Ed).* **They struck out against a continentalist approach, advocating instead an immediate increase in Canadian content in cars produced in Canada as a "step in the direction of an All-Canadian car."[27]**

The condition of the auto industry in the early 1960s was so desperate that the choice between a continental or a Canadian auto industry had to be made quickly. Canadians in those years were watching the growth of a vast balance of payments deficit with the U.S. in auto trade. In 1965 the United States enjoyed a $768 million surplus in its auto trade with Canada.[28]

In 1965 the Pearson government opted for continental integration with the United States in the car industry when it signed the Auto Pact.

Under the Auto Pact the Canadian industry was rationalized to produce fewer lines of cars for the entire North American market. With this rationalization, there has been a marked increase in productivity in the Canadian industry and transfer of management functions from Canada to the United States. ***Since the commencement of the pact, Canada has increased its share of North American auto production. In 1970 and 1971, for the first time, Canada had a small surplus in its auto trade with the U.S., although even in these two years there was a Canadian deficit counting the sending of profits to the U.S. from their subsidiaries in this country.[29]***

Growth in the industry in Canada tended to be concentrated in the first years of the agreement. By the end of 1968 vehicle-producers in Canada had over-fulfilled their commitments by $396 million.[30]

The present extent of integration can be learned from the following figures: by 1968 imports of autos from the U.S. supplied more than 40 per cent of the Canadian market compared with three per cent in 1964; about 60 per cent of vehicles produced in Canada in 1968 were exported compared with seven per cent in 1964. One-third of all trade between Canada and the U.S. now takes place in the field of assembled autos and auto parts.[31]

The early benefits of the Auto Pact for Canada appeared to confound the critics. The industry had grown and had become more productive. It was a shining success story for the Liberal Party.

But what was not immediately clear was that the pact meant long-term Canadian vulnerability in its auto industry and an increasing incapacity of the Canadian government to affect the growth rates of the Canadian industry.

By the end of 1968 the special agreement between Canada and the auto producers for heightened growth targets had lapsed. One safeguard was already out of the way. Since then pressure has been mounting

steadily for the removal of the formal safeguards in the pact.

In the fall of 1970, the Ways and Means Committee of the House of Representatives recommended that President Nixon terminate the auto pact unless progress was made toward eliminating the protective clauses for Canada. **In a report to Congress on the subject in the fall of 1970, Nixon heightened the pressure for removal of the protective clauses. He said:**

> ***["]The continued existence of the transitional measures .. . represents an unnecessary burden on the automotive industry and is an obstacle to full realization of the agreement objectives.["]***[32]

Canada's External Affairs Minister, Mitchell Sharp, helpfully admitted at the same time that "eventually" cars produced in Canada and the United States would have completely unrestricted access to the entire North American market. He showed how well he could fit into the American agenda when he suggested that if the U.S. opened up the oil market for Canada in the United States, we would consider scrapping the protective clauses in the Auto Pact.

The removal of the safeguards would allow American auto producers completely free access to the Canadian market, no matter what the level of their production here. It means they could shift production out of this country, and even more important, locate future growth in the industry on the American side of the border. Without the safeguards there is no guaranteed future for the industry in Canada.

Convinced free traders will, of course, reply "So what? Now that our auto industry has become more productive, why shouldn't the auto producers locate future growth here, as much as in the U.S.?"

Even the continentalist Liberal government knows the answer to that question. In the fall of 1970, in talks with the U.S. the Canadian government insisted that it must obtain a new five-year production level commitment from the auto industry. Its reason was simple: "free market" forces simply do not exist in the auto industry. A monopoly American-owned industry, closely integrated with the American government, will be influenced by many factors that have nothing to do with whether a Canadian plant could theoretically produce as efficiently as an American plant.

The removal of the safeguards means the placing of a ceiling on the growth of the Canadian auto industry. It means total U.S. access to our market and control of our production, with future growth concentrated in the U.S. Such a development will contribute to Canadian unemployment and to a return to a steep deficit in our auto trade with the U.S.

Even without the removal of the safeguards a dramatic shift in Canada-U.S. auto trade has begun to occur. In 1972 Canada returned to a deficit in its auto trade with the U.S.; when the deficit involved in the importation of automobiles from overseas is added, the Canadian deficit was approximately $500 million, now two-thirds as high as the deficit in 1964. It was the latter figure which convinced the Canadian government that the auto pact was necessary.[33]

Nixon's economic policies since August 1971 have already begun to affect Canada's position in the auto industry, the key industry in southern Ontario. The Nixon administration's current assault on Canada's share of North American auto production must be understood in the broader context of the U.S. agenda for the Canadian economy. Of critical importance is the fact that the historic "special relationship" between Canada and the U.S. which allowed Canada to be a relatively industrialized hinterland between 1945 and 1971 came to an end with Nixon's new economic policies launched on August 15, 1971.

On August 15, the Nixon administration formally responded to what had been apparent for some time: the end of U.S. domination of the world capitalist economy. Japanese and western European invasion of U.S. markets and the weakness of the American dollar forced Nixon to move away from the system of an "internationalism" within the capitalist world dominated by the U.S. and toward a system of threatened protectionism and regional division of the capitalist world into economic blocs. Since August 15 we have

been living through the heightening monetary crisis, with its two U.S. dollar devaluations. We have seen the end of the gold standard in the United States and the temporary 10 per cent surcharge on imports into the United States. In addition to these measures, Nixon has been attempting to improve the relative position of U.S. business by increasing the exploitation of American working people through wage control policies. In order to strengthen the position of U.S. manufacturing in world competition, the U.S. has enacted the seven per cent investment tax credit, involving tax cuts for U.S. businesses that increase capital investment, and the Domestic International Sales Corporation or DISC, which allows U.S. companies exporting goods to write-off 50 per cent of the taxes on their foreign sales. DISC has been designed to encourage multi-national corporations to shift their production from branch plants abroad back to the United States.

During the current crisis, the position the Nixon government has taken has been that the problem stems from what he calls the unfair trading practices of other nations. This is a euphemism for saying that America's competitive position has worsened. American industry has been losing its lead in productivity in a whole range of industries due to too-low a rate of capital investment. In part, the U.S. has allowed its industry to deteriorate relative to that of other countries because of the flow of American investment abroad. **In addition to these factors, the high cost the U.S. has assumed as gendarme of world capitalism has placed enormous burdens on the U.S. economy through defence spending that is proportionately much higher than that in other developed capitalist countries**.

Although Nixon claims to prefer a move toward free trade among all countries, he has made it clear that if the supposed unfair trading practices of other nations do not end, he will move even more toward protectionism. Early in 1973 he placed a bill before the U.S. Congress which would allow him wide discretion to raise and lower U.S. tariff schedules in negotiations with other countries as a means of giving him extra muscle at the bargaining table.

Within the United States three clearly discernible blocs can be distinguished in the debate on how far protectionism should go. Clearly the U.S. financial community on Wall Street wants to maintain an open door policy among capitalist nations so that the increasingly high flow of profits back to the U.S. from foreign operations will not be threatened. ***At the other end of the spectrum is the leadership of the American labour movement. The AFL-CIO leadership has been pushing the Burke- Hartke bill in the U.S. Congress which would replace tariffs with quotas to limit the amount of industrial imports into the U.S.***

The Nixon administration has been pursuing a policy that can be described as one of moderate protectionism, involving both a determination to end America's trade deficit and an emphasis on the importance of the operations of U.S. multi-national corporations abroad to the health of the American economy.

In response to the charge from the AFL-CIO that the creation of branch plants abroad by U.S. companies has meant job losses for U.S. workers, the Nixon administration has produced studies which show how the operation of U.S. firms abroad acts to de-industrialize countries like Canada and to maximize production for American industry at home. One study showed that there are between 250,000 and 500,000 high paying jobs in the U.S. involved in servicing the foreign activities of U.S. corporations. These jobs would not exist if the corporations had not moved abroad. An example from one study reported in *Fortune magazine* ***showed how the operations of a U.S. firm abroad actually reduced the number of jobs abroad rather than increasing it. The article states:***

> *["]When Kimberly-Clark built a $23 million paper mill in Huntsville, Ontario, to serve the Canadian market, it purchased enough equipment in the U.S. to supply 51 man years of employment. Had Kimberly-Clark not built the mill, a Canadian competitor would have captured the market and bought less equipment in the U.S. (resulting in only 16 man-years of employment). As for the balance of payments, the investment resulted in no net outflow of capital, and as soon as Kimberly-Clark pays off a Canadian bank loan, the subsidiary expects to pay $2.8 million a year in dividends to the parent company in the U.S.["][34]*

An article in the *Wall Street Journal* which draws on the thought of former U.S. Secretary of the Treasury, John Connally, summarizes the mood of the Nixon administration:

> **"There will have to be less competition among American businesses so that there can be more competition against foreign businesses;** Washington must become less of an antagonist for U.S. industry and much more of a cooperative partner."
>
> To achieve these ends, might require many profound and politically explosive changes. These changes include:
>
> **Turning anti-trust policy inside out so that in many cases the government would encourage mergers instead of discourage them**. More long-range government planning for the economy. Much more federal assistance to key industries -- along with much more influence over them. Diverting many young people away from the universities and into vocational training. ***Convincing -- or compelling -- unions to abandon lengthy strikes.***
>
> **Impelling the administration to contemplate such initiatives is the same nightmarish fear that led it to devalue the dollar -- the fear that the U.S. has lost its competitive edge to nations, such as Japan and Germany**. Unless the U.S. recoups rapidly, the consequences will be inability to meet military and diplomatic obligations abroad and a deteriorating standard of living at home that ultimately could lead to outright revolution in this country, Mr. Connally says.
>
> "The U.S. sends its business executives out like Don Quixote, to do battle but we don't give them much of a lance to do battle with," Mr. Connally contends. He declares, "this has got to change." Others say the changes could involve greatly increasing tax incentives or starting direct federal subsidies to some businesses engaged in foreign trade.
>
> **"Unlike the U.S., other countries own their raw materials," Mr. Connally says. "So any time a private U.S. company goes overseas to acquire timber, copper or other resources, they deal with governments." Those governments may change policies drastically enough to result in the expropriation of the U.S. interests, he notes.**
>
> **But if a U.S. company goes overseas with any sort of federal insurance coverage and enters into any agreement with a host government,** *(such as a "Free Trade" agreement --Ed.)* **the U.S. might well say "this agreement cannot be altered, amended or terminated in any form or fashion without the prior written approval of the U.S. government." "And that, "he says," might make the other governments think twice before acting against U.S. companies."**[35]

The American agenda for the Canadian economy has been abundantly clear since August 15, 1971. It involves the quest for greater U.S. access on a permanent basis to Canadian resources, especially energy resources, and the sale, in return, of more manufactured goods from the U.S. to Canada. Early in 1973 President Nixon singled out Canada for criticism in a message to Congress because the U.S. has been buying more resources from Canada without Canada purchasing back sufficient U.S. manufactured goods. As U.S. pressure for a continental energy deal mounts, so too wilt the tendency toward de-industrialization increase.

Resource export agreements will mean higher costs in energy and other resources for Canadian industry and therefore, a worsening of the competitive position of Canadian manufacturing. Furthermore, the huge inflow of U.S. dollars into Canada to proceed with projects like the Mackenzie Valley Pipeline and the James Bay Hydro development will drive up the value of the Canadian dollar, perhaps by five to ten per cent relative to the American dollar.

A California economist, concerned about the U.S. balance of payments crisis, has worked out the following estimate for the trade effects of an upward revaluation of the Canadian dollar: a five per cent increase would result in a $715 million negative trade shift for Canada with the U.S.; a 10 per cent increase would result in a $1.6 billion negative trade shift.[36]

The result of Nixonomics has been to move Canada's economy from one phase of development to another. Before Nixonomics, Canada had a truncated manufacturing sector which was quantitatively

and particular qualititively stunted because of U.S. control. Now Nixonomics means de-industrialization, even in terms of this already truncated manufacturing sector.

A recent report of the U.S. tariff commission revealed that the process of de-industrialization due to the American impact on Canada pre-dates Nixonomics. The report showed that U.S. corporations began shifting their capital investment out of Canadian manufacturing and into western Europe in 1966. Furthermore, there has been a shift of U.S. investment within Canada away from manufacturing to resource extraction.

Because resource extraction involves many fewer jobs for the value of production, in comparison to manufacturing, de-industrialization means permanent high level unemployment.

Using statistics from a Waffle study of Ontario manufacturing, let us look at manufacturing employment in the city of Hamilton between 1966 and 1972. Of the 72 firms employing 100 or more workers in manufacturing in 1966, 12 had shut down by 1972 while four new ones opened in their place. The total number of manufacturing jobs in Hamilton in 1966 was about 65,000. In spite of the fact that the size of the labour force in Hamilton by 1972 had increased by almost 20 per cent, the number of manufacturing jobs declined by about 2,300. Two thousand of these job losses were in American owned firms and almost all of the rest were in British and European-owned companies.[37]

As de-industrialization proceeds, Canada's economy is becoming more dependent on the resource industries and on the service industries. It is essential to realize that the entire Canadian population lives off the wealth of productive labour in the economy. As manufacturing shrinks relatively, the economy is burdened with an ever-larger proportion of its work force in service industries. About two-thirds of the work force is now in service industries, the highest proportion of any country in the world.

This places an increasing squeeze on the salaries of workers in the service industries, both in the private sector and among government employees. It is no accident that white-collar workers, teachers, and civil servants are becoming increasingly militant as their livelihood and economic security are threatened by the effects of Canada's stagnant manufacturing sector.

De-industrialization of course, threatens the sections of the work force that have enjoyed the greatest relative prosperity and security in Canada, the workers in the large capital-intensive manufacturing firms.

De-industrialization is the price workers pay for Canada's dependent status in the American empire. As the American empire enters a period of decline, the costs of its decline are passed in disproportionately high amounts to workers in dependent countries like Canada and to minorities like the blacks within the United States.

For Canadians, de-industrialization grows out of the nature of Canadian capitalism and its relation to American capitalism. Only an anti-imperalist struggle bringing together workers in manufacturing and in the service sector along with workers in resource-extractive regions where no industrial infrastructure has been established can reverse the present stagnation in Canadian industry, with its attendant costs for the Canadian people. *(Note the "anti-imperialist' echo of the CP's old 'anti-monopoly' political line; contradicted here however in Waffle's exclusive orientation to the Canadian labor party – Web Ed.)*

Notes

'Statistics Canada, *Canada Year Book 1972,* (Ottawa, 1972), pp. 1094, 1095.

[2]*Ibid.,* pp. 758, 759.

[3] This figure was arrived at by comparing figures in the *Canadian Slatistical Review* for 1965 and 1971. *The Canadian Statistical Review* is published by Statistics Canada.

[4]U.S. Bureau of the Census, *Statistical Abstract of the United States 1972,* (93rd. edition), (Washington, D.C., 1972), p. 219.

[5]Statistics Canada, *Canada Year Book 1972,* (Ottawa, 1972), p. 776. U.S. Bureau of the Census, *op. cit,* p. 697.

6. 'Statistics Canada, *Employment earnings and hours August 1972,* (Ottawa, 1972), p. 12.
7. Statistics Canada, *Employment earnings and hours April 1972,* (Ottawa, 1972), p. 16.
8.Statistics Canada, *Canada Year Book 1972,* (Ottawa, 1972), p. 1090. 'Statistics Canada, *Employment earnings and hours April 1972,* (Ottawa, 1972),
9. p. 16. Statistics Canada, *Canada Year Book 1972,* (Ottawa, 1972), p. 751. U.S. Bureau of the Census, *op. cit.,* pp. 710, 711, 712.
[10] Pierre L. Bourgault, *Innovation and the Structure of Canadian Industry,* Background Study for the Science Council of Canada, October, 1972, Special Study No. 23, (Ottawa, 1972), p. 30.
11. Statistics Canada, *Canada Year Book 1972,* (Ottawa, 1972), pp. 1086, 1090.
[12]Pierre L. Bourgault, *op. cit.,* p. 83.
13. "Ibid., p. 51.
[14]Statistics Canada, *op. cit.,* p. 589.
[15] Pierre L. Bourgault, *op. cit.,* p. 32.
16.*"Ibid.,* p. 32.
17.*"Ibid.,* p. 105. <>
18.Ibid., pp. 55-59.
19. "Science Council of Canada, *Innovation in a Cold Climate,* October, 1971, Report No. 15, (Ottawa, 1971), 15. p.
20.. "Pierre L. Bourgault, *op. cit.,* p. 89.
[21] Ibid., p. 80.
22."Statistics Canada, *op. cit., p.* 1064.
23.James Laxer, "Lament for an Industry," *Last Post,* Dec. 1971.
24-32."Ibid.
"Ibid.
"Ibid.
"Ibid.
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"Ibid.
**Ibid.*
"Ibid.
"Ibid.
33.The Globe and Mail, Feb. 12, 1973.
34.*"Fortune Magazine,* April, 1972.
35.*"The Wall Street Journal,* April 24, 1972.
36."Fortune Magazine, March, 1972.
37.The study cited here is a research project being carried out by Toronto Wafflers. It is a study of the behaviour of U.S. and Canadian-owned manufacturing firms in Ontario between 1966 and 1972. For an account of this study, see "Appendix." ***(See "Tables" in this volume, pp. 151-152 --Ed.)***

The De-Industrialization of Ontario by Jim Laxer and Doris Jantzi

The preceding essay on manufacturing presents the general problem of de-industrialization in Canada. What follows in this statistical essay is an examination of trends in manufacturing employment, industry by industry and region by region, in Ontario. The figures are drawn from a research project begun in the fall of 1972 by a group of Wafflers in Toronto.[1]

The study examines the behaviour of large American and Canadian manufacturing firms in Ontario for the period 1966-1972.

For the period studied there was a small absolute decline in manufacturing employment in Ontario. In June 1966 there were 776,831 workers employed in manufacturing in Ontario; by June 1972 the number was 772,200. **During this period the work force in Ontario grew by approximately 27 per cent. Thus the shift from manufacturing to service industries in Ontario is evident from the complete stagnation in manufacturing employment in the province. Ontario's manufacturing employment situation is similar to the national pattern for these years. In August 1966 there were 1,549,628 workers employed in manufacturing in Canada; in August 1972 the number was 1,536,600.**

During this period considerable consolidation of manufacturing took place into larger firms with small firms driven out of business. The growth which occurred in manufacturing during this period centred in the large firms.

The tables which follow reveal the changes in employment in the large firms. These tables present a sample of large firms for which employment figures could be obtained for both 1966 and 1972 and firms which shut down after 1966 or opened prior to 1972. The sample includes only firms for which ownership

could be ascertained as either American or Canadian. It contains no firms owned in foreign countries other than the U.S. The sample includes only plants which employed 100 or more workers and includes approximately 45 per cent of all manufacturing employment in Ontario.

In the sample studied there was a marked difference in the behaviour of U.S.-owned and Canadian-owned firms.

The U.S.-owned sample had the following results: there were 511 establishments studied for both 1966 and 1972; 85 establishments shut down between 1966 and 1972 and 122 new ones opened up. Over all employment in this sample of U.S. owned firms grew from 221,137 to 238,961, an increase of 8.1 per cent. The average size of establishment in the sample increased from 371 employees to 377 employees.

The Canadian-owned sample had the following results: there were 296 establishments studied for both 1966 and 1972; 35 establishments shut down between 1966 and 1972 and 75 new ones opened up. Overall employment in this sample of Canadian owned firms grew from 106,900 to 129,513, an increase of 21.1 per cent. The average size of establishment in the sample increased from 323 employees to 349 employees.

It can thus be seen that there was a striking difference in the creation of new employment in the large Canadian-owned as compared to the large American-owned plants. It is evident from the above statistics on overall employment in manufacturing in Ontario, that growth was centred in the large establishments and decline was evident in the small establishments. Canadian and American firms studied in the sample were not much different in average size.

It is evident that while large firms grew in employment whether they were Canadian- or American-owned, there was almost three times as much employment growth in the Canadian-owned firms.

In light of the analysis presented in the previous chapter on manufacturing, it appears that as the economy moved out of recession and into a boom phase in 1971-72, American firms passed on most of the new jobs created by their increased activity in Canada to the parent firms in the U.S. or other foreign countries. This factor would explain the enormous difference in the behaviour of large American and large Canadian firms. The difference is clearly not explained by a U.S. withdrawal from the Ontario economy, as the significantly higher figure for U.S. plant openings over shutdowns attests. Therefore, it is necessary to conclude that American firms maintained their share of the market while importing more parts and components for final manufacture from their parent firms in the U.S. This resulted in a qualitative undermining of manufacturing in Ontario, since most of the new jobs were exported abroad.

The Canadian sample reveals what happened to firms that operated almost entirely in Canada. It can be regarded as representing the "natural" growth rate for large manufacturing establishments in Ontario for this period.

The samples presented roughly represent the relative relation of U.S.-owned manufacturing in Ontario to Canadian-owned. It is therefore, clear how serious are the implications of American ownership of the bulk of manufacturing in Ontario during a period when the American government is pressuring American firms to shift employment from branch plants abroad back to the United States.

Table One (p. 151) shows the behaviour of the American and Canadian-owned firms in the sample by industrial category. **It reveals the American control of most of the vital sectors of Ontario manufacturing: chemicals, rubber and plastics, fabricated metals, machinery, electrical products and transportation equipment.** It reveals stagnation in employment in the large American firms in: machinery, electrical products and transportation equipment.

Table Two (p. 152) shows the behaviour of American and Canadian-owned firms in the sample region by region in Ontario. **It reveals that the pattern of greater employment growth in Canadian-owned**

compared to American owned firms is general for most parts of Ontario. It reveals that key areas of Ontario that have been industrial centres for a very long time have experienced complete stagnation during the years studied. This is especially noteworthy for the Niagara region, which includes Hamilton, Brantford, and the Niagara peninsula. This region has experienced an absolute decline in employment in the large American firms.

It is evident as well that some large firms have migrated from old industrial regions to newer ones, particularly the Georgian Bay region where a marked employment increase is shown. This reflects the desire of large corporations to move from high wage unionized areas to low wage areas.

The strikingly uneven development of manufacturing in the province is shown by the fact that well over half the sample is drawn from the first three regions examined in the table, regions which make up the "Golden Horseshoe" from Oshawa around the end of Lake Ontario to Niagara Falls.

The study demonstrates the fact that during the present period of inter-imperialist rivalry among the great capitalist nations, American ownership of Canadian manufacturing leads to de-industrialization for Canada -- the quantitative and qualitative undermining of this country's manufacturing sector.

Thus the term "de-industrialization" refers not to the general phenomenon of the reduction of the percentage of the work force employed in manufacturing (evident in most countries), but to the special distorting effects of U.S. ownership of Canadian manufacturing, in particular, U.S. attempts to enhance American employment at home at the expense of Canada.

Notes

1.Figures from: Statistics Canada, *Employment, earnings and hours,* (Ottawa, 1966 and 1972); *Scott's Ontario Industrial Directory,* (Oakville, 1966 and 1972); and Statistics Canada, *Inter-Corporate Ownership 1969.* (Ottawa, 1971). (...)

(Canada) Ltd.: The Political Economy of Dependency

Edited by Robert M. Laxer, 1973

(Part 7) The Capitalist State in Canada

John Hutcheson

(All emphasis by the Web Ed.)

Many people in Canada are ready to believe that politicians are self-serving even to the point of corruption. But it is more difficult for them to see that governments serve specific class interests and thus systematically act against the interests of the overwhelming majority of the population. In an earlier chapter of this book, it has been demonstrated that Canada's energy policy is clearly in the interest of U.S. corporations. In spite of rising public indignation, the government continues to pursue a policy which results in non-renewable resources, along with the profits from these ventures, flowing out of Canada at an increasing rate. In return for this few jobs are created and energy costs for Canadians are driven up; moreover, these resource exports set in motion de-industrializing effects which undermine the manufacturing sector of the economy.

Why does the Canadian government pursue a policy so clearly in violation of the interests of Canadians? In order to answer this question it is necessary to look at the nature of political power in this country.

There is a widely-held view of political power which suggests that the government is merely a focal point for pressures from all parts of the society, and that the government, as a neutral force, merely reflects, adjudicates and resolves the competing pressures *(emphasis by the Web Ed.)* Those who hold this view may also believe that some interest groups are better organized and more articulate and thus get their way more often than others. But in the long run, the argument goes, all the competing interests have to be taken into account. This can be called the "pluralist" view of politics. Pluralism starts from an assumption that society is an aggregate of individuals who come together in many different kinds of groupings to pursue their individual interests.

There is a variety of this view that can be called "radical pluralism." Radical pluralists believe that the disadvantaged and the poor in our society have no say in our society and they thus call for "participatory democracy," that is, for a real voice for the poor. While such a concept complains that not all the interests in society receive equal treatment, it holds that there is a harmony of interests which will be realized if all groups of people are able to have a say in decision-making.

There are also some people who believe that, while capitalism may have been marked by gross injustices in the past, the growth of the government has offset the unequal distribution of power which results from ownership of property. These people are encouraged in this view by unrealistic conservatives who mutter about "creeping socialism," and who complain that Canadians are being mollycoddled by the welfare system. Also many Canadians no doubt believe that the capitalist economy has been replaced by a modern, "mixed economy."

It is of course true that from World War I, though more obviously from the second half of the 1930's, the direct economic role of the government has increased markedly. It is equally true, however, that any close analysis of this development will show that the nature of the mix in the mixed economy is of a very particular kind. **In fact, what the Canadian government is doing is continuing a policy of creating the conditions for the maintenance of capitalism, but under changing conditions in the forces of production and the social relations of production. As has been argued in Chapter 3, the achievement of a high rate of profit is the driving force of capitalism. What has happened in the twentieth century is that the direct use of the government has become necessary for the maintenance of a high rate of profit.**

Much of the ideological justification of the "new" economic role for capitalist governments was provided by the economist John Maynard Keynes. In concluding his analysis of twentieth century capitalism, Keynes wrote:

> ["] I conceive, therefore, that a somewhat comprehensive socialisation of investment will prove the only means of securing an approximation to full employment; though this need not exclude all manner of compromises and of devices by which public authority will co-operate with private initiative. But beyond this no obvious case is made out for a system of State Socialism which would embrace most of the economic life of the community. It is not the ownership of the instruments of production which it is important for the State to assume. If the State is able to determine the aggregate amount of resources devoted to augmenting the instruments and the basic rate of reward to those who own them, it will have accomplished all that is necessary. Moreover, the necessary measures of socialisation can be introduced gradually and without a break in the general traditions of society.["][1]

Another ideologue of the "welfare state", William Beveridge, spoke of the desirability of the "socialization of demand without the socialization of production."

In Canada the Department of Regional Economic Expansion [DREE] has eagerly taken up the role of "augmenting the instruments [of production] and the basic rate of reward to those who own them." A recent study shows how much public finance is used to support such social enterprises as IBM, ITT, Westinghouse, and Proctor and Gamble. And DREE is not the only agency for this type of activity. Recently the Canadian Export Development Corporation loaned "Brazil" $26.5 million for the purpose of buying electrical equipment. That this is not altogether charitable aid to a struggling bastion of democracy can be seen from a closer analysis of the terms.[3] The money, rather than being loaned to the people of Brazil, who are represented neither by those who rule in Brazil nor by the companies concerned, was loaned to a "private Brazilian utility company," (Light-Servigos) which is 83 per cent owned by Brascan, one of Canada's very own multi-national corporations. Also the equipment was to be purchased from a specified group of corporations operating branch plants in Canada.

The situation is well summarized in the Quebec Federation of Labour's Manifesto, "The State is Our Exploiter":

> ***["] ... under the liberal state, public financing injected into the economy is given outright to private capital, or supports it so as to raise profit ratios. This strengthens the private sector at the expense of the public sector.["][4]***

The government in Canada has always been essential to the development strategy of capitalism and it continues to act in the interests of a capitalist class.

The Marxist analysis of political power in fact recognizes that the government is merely one aspect of a wider political framework which can be called the "state." Ralph Miliband, in his study of the contemporary capitalist state, defines the state as "a number of particular institutions which, together, constitute its reality, and which interact as parts of what may be called the state system."[5] Thus, apart from governments at various levels, there is the administrative element of the state, which is not just the government bureaucracy but also public corporations, central banks, regulatory commissions, etc. There are also the military and police forces, the coercive apparatus of the state. There is also the judiciary which in constitutional theory is independent of the government. In practice, the legislature, too, is distinct from the government, and thus parliamentary assemblies form part of the wider sphere of the state.

There is a further aspect of power in capitalist societies which cannot be neglected. This is the power that results from what the Italian Marxist Antonio Gramsci called the "hegemony" of the dominant class, that is, its ideological predominance over subordinate classes. This hegemony is exercised through a variety of institutions; political, cultural and social. These institutions include political parties, churches, radio, television, newspapers, cinema, theatre, schools and universities, and the family. (I do not mean to imply that the existence of these institutions inevitably serves the

capitalist state, but at present most manifestations of them do reinforce the capitalist state.) Not all of these institutions are normally reckoned to be part of the state, but it is important to see how they are used to buttress the capitalist state.

In Chapter 3 of this book there is a discussion of class in Canada and of the class conflict that is inevitably part of the capitalist mode of production. The nature of the state grows out of this fundamental aspect of capitalist society. As Miliband puts it:

> ["] The economic and political life of capitalist societies is *primarily* determined by the relationship, born of the capitalist mode of production, between . .. two classes -- the class which on the one hand owns and controls, and the working class on the other. Here are still the social forces whose confrontation most powerfully shapes the social climate and the political system of advanced capitalism. In fact, the political process in these societies is mainly *about* the confrontation of those forces, and is intended to sanction the terms of the relationship between them.["][6]

That is to say, the power of the capitalist class does not arise simply from its control of the state. One can identify three levels at which the power of the capitalists is exercised: through control of the means of production, through control of the dominant ideological institutions of society, and through control of the state*. Within each of these three levels there is a spectrum of control from leadership (or "hegemony" in Gramsci's terminology) to overt domination. Obviously control within any one of these three levels reinforces control within the others. For example, when control is effective within the first two, there is little need to resort to overt domination in the third. But should a serious challenge arise at any one level, power is quickly mobilized at the other levels. Workers in a factory know that they are "under control" once they have passed the steel fence that typically surrounds factories, but should they challenge that everyday control, the forces of the state in the form of the police and the courts are soon brought into action. It is in fact through the state that the power at the other levels is guaranteed and co-ordinated, though it is the control of the means of production that makes possible control at the other two levels. (This type of analysis, incidentally, suggests that it is dangerous to make too sharp a distinction between "base" and "superstructure" when analysing capitalist society.)

The importance of an analysis of power which takes into account all three levels is shown by the history of attempts to transform capitalist societies. Challenges to the capitalists' control which have not been effective throughout the three levels have always met with defeat.

Sometimes even where the government has fallen into the hands of "outsiders," capitalist states have managed to survive. It is a question of the nature of the "outsiders," specifically of their willingness and ability to permanently change capitalist social relations of production. For example, as Miliband argues, the fascists of the 1930s advanced a "rhetoric of total transformation and renewal" with "anti-bourgeois resonances,"[7] but neither Mussolini nor Hitler dislodged big business, because neither sought to transform capitalist social relations. As Miliband says:

> ["] The most telling fact of all about the real nature of the Fascist systems is surely that, when they came to an end, twenty years after Mussolini's "March on Rome" and twelve years after Hitler's assumption of the chancellorship, the economic and social structures of both countries had not been significantly changed.["][8]

Perhaps more surprising to many have been the results in countries where social democratic and labour parties have formed governments on programmes which expressed an intention to transcend the capitalist system by means of the use of state power in the service of reform. They have not done so. This is not to say that the presence of such parties has not contributed to important reforms, or to say that it makes no difference which party is in power. The point is that social democratic parties have been unable to control the power of the capitalists and to change capitalist social relations. They have not faced up to the realities of the class conflict which grows out of the capitalist mode of production and which produces the class nature of the bourgeois state.

In the 1890s Rosa Luxemburg clearly indicated the limitations of what are now called social democratic parties. In her essay, *Social Reform or Revolution* she outlines the petty-bourgeois basis of the tendency

which refused to acknowledge the real nature of the development of capitalist society:

> ["] The theory of the gradual introduction of socialism proposes a progressive reform of capitalist property and the capitalist state in the direction of socialism. However, in consequence of the objective facts of existing society, one and the other develop in a precisely opposed direction. The process of production will be increasingly socialized and state intervention, the control of the state over the process of production will be extended. But at the same time, private property will take on more and more the form of open capitalist exploitation of the labour of others, and state control will be more and more penetrated with the exclusive interests of the ruling class. Inasmuch as the state, that is the *political* organization of capitalism, and property relations, that is, the *juridical* organization of capitalism, become more *capitalist* as they develop, and not more socialist, they oppose to the theory of the progressive introduction of socialism two insurmountable difficulties.["][9]

The development of capitalist property and the capitalist state is not leading in the direction of socialism.

For anyone concerned about the future of this country, it is extremely important to arrive at a clear understanding of this point. Many Canadians believe that there is an inherently progressive tendency at work that is increasing the well-being of the people of this country by substantial modifications of the capitalist system. **Many Canadians, for example, support the NDP* because they believe that a series of such modifications can remove the undesirable features of capitalism. In that way many hope that capitalism can be controlled without a fundamental challenge to the power of capitalists which results from their control of the means of production. But that is to hope that the capitalists will not use all the power at their disposal to maintain their domination. One weapon that the capitalists have at their disposal is control of the state.**

**Some Canadian socialist activists support the NDP as the unique means by which the working class can be mobilized and set on the road to establishing a party capable of achieving socialism -- Web ed.)*

(...)

In Canada, as in other capitalist countries, the contradictions of capitalist growth are becoming increasingly impossible to hide. In Canada, however, these contradictions are heightened by the dependency of the country. As the U.S. attempts to resolve some of its own structural problems, the development of Canada is likely to be further jeopardized.

This latter point is a reminder that one cannot discuss the capitalist state in Canada without taking into account the specific aspects of the state which arise from the dependency of Canadian capitalism. There are features of the Canadian state, some of which have been discussed, which are similar to those in other capitalist states. But the present state in Canada is also the result of a specific historical development of the forces of production and the social relations of production. We must consider that history if we are to understand the way in which the state has both been used to create a dependent capitalist economy and has also been the result of a dependent capitalist development. That history will also help us to understand why the Canadian bourgeoisie has increasingly lost control of the state.

(...) in discussing the development of liberal society in Canada, we have to take into account the factor of its dependent status. **That is we need to see the link between the development of the metropolis** *(the dominant State, i.e, the US)* **and the hinterland** *(the subservient State, i.e., Canada -- Web. Ed.)* , and the way in which the development of both social relations of production and forces of production in the metropolis have influenced the development of both social relations of production and forces of production in the hinterland.[17]

The basic relationship between metropolis and hinterland is elementary and was stated clearly as long ago as the eighteenth century by a contributor to the great document of the Enlightenment, the *Encyclopedia:*

> ["] These colonies being established solely for the utility of the metropolis, it follows that... the colonies would be of no more use, if they were able to do without the metropolis; thus it is a very law of nature that the arts and cultivation in a colony must be confined to such and such objects, according to the convenience of the country of domination.["][18]

The prospects for development, under capitalism, of countries placed in such colonial relationships have not been very good. This problem has been discussed by, among others, Paul Baran.[19] As Baran points out, European expansion has been responsible for the destruction of self-sufficient rural societies and, by the seizure of land for production of export crops and by the exposure of rural handicrafts to the competition of industrial exports, has in most places created only vast pools of pauperized labour. Only one Asian country, for example, has escaped its neighbours' fate and developed under capitalism, and that is Japan. As Baran noted, it is perhaps not coincidental that Japan was never part of the capitalist colonial world.

There are, however, a few areas of the world where European expansion has resulted in the development of prosperous capitalist economies. One area is North America. For the U.S. the only obstacle to accumulation and capitalist expansion was foreign domination. The bourgeoisie in that country was strong enough to overthrow that domination and to create a political framework conducive to the growth of capitalism. In fact, as William Appleman Williams has shown,[20] the achievement of capitalist development in the U.S. was not merely the result of independence, but (as with Japan and the major European powers) entailed the creation of a new empire, starting from the date of independence. And the development of the U.S. empire has had profound implications for the other parts of the Americas.

Obviously, then, we have to look at the specific nature of any colonial relationship. The role of the metropolis-hinterland relationship in the distortion of the structure of the hinterland has recently been emphasized by Andre Gunder Frank.[21] Frank's argument, which has been formulated for Latin America but has been generalized to other situations (in fact "Latin America" is already a generalization), can be summarized as follows: first, Latin America has had a market economy from the beginning of colonialism; secondly, it has been capitalist from the beginning; and, thirdly, the dependent nature of its insertion into the capitalist world market is the cause of its under-development.

Gunder Frank is right to insist that from the beginning of their colonial period American societies, and this holds for Canada, have been tied to a capitalist world market; but, as several of his critics have observed,[22] it does not follow that the American colonies of Europe developed capitalist relations of production from the beginning of their colonial history. As Marx showed:

> ["] Capital can spring into life only when the owner of the means of production and subsistence meets in the market with the free labourer selling his labour-power. And this one historical condition comprises a world's history.["][23]

In fact, in a comparative analysis of dependent societies it is of particular importance to investigate the extent to which capitalist integration has been achieved. That is the extent to which the population is involved in the capitalist mode of production in each dependent country. The degree of capitalist integration is undoubtedly *one* factor in the prosperity of the dependent society. The peculiarly destructive consequences of a non-capitalist society being drawn into an international market dominated by the capitalist mode of production are summarized by Marx's comment: "The civilized horrors of over-work are grafted on to the barbaric horrors of slavery, serfdom, etc."[24]

In Canada an almost fully-integrated capitalist social structure did grow out of a colonial society which was already integrated into a capitalist empire. Though the key factor in Canada's development has been the extraction of a series of staple products by a series of imperial powers, Canada has never been merely a resource colony. Canada is unlike other colonies in which capitalism promoted plantation production, using slavery or indentured labour, or perpetuated various forms of non-capitalist production based on peasant labour. Canada has become a fully integrated capitalist society, that is a society with capitalist property relations, and a society in which the overwhelming proportion of the population is engaged in capitalist production. It is perhaps for this reason that Canada, despite its colonial aspects, has developed into a rich country. This development is now threatened, as many chapters in this book show. The succession of capitalist development by under-development has been a common fate for many regions of capitalist countries, as the history of the Maritimes testifies. In fact, as the example of Argentina may show, this is a fate that can be visited upon whole countries.

(...)

Let us turn now to the particular form of the state in Canada. We have seen that by the mid-nineteenth century Canada had emerged as a liberal capitalist society with a clearly defined dominant commercial bourgeoisie and a growing working class. We have seen that the state performed the classical functions of any capitalist state in suppressing any opposition to this development and the human costs of this type of society. But we have to consider the particular nature of the Canadian state as an instrument of both the ruling class of the imperial country and the ruling class of Canada. The Canadian state has been a critical link between the domestic and foreign ruling classes.

In the days of the British Empire the Canadian state served as a guarantor of the loans of British investors and banking houses and at the same time served their partners, the Canadian bourgeoisie. Both the Act of Union of 1840 and Confederation were identified by Harold Innis[35] as instruments to secure low interest rates for the transportation system. Donald Creighton went even further. In discussing the British government's decision to support the proposals made at Quebec for confederation, he said:

> ["] This British assistance might be interpreted as an effort to assist in the creation of a great holding company in which could be amalgamated all those divided and vulnerable North American interests whose protection was a burden to the British state and whose financial weakness was a grievance of British capital.["][36]

And in the same study Creighton explains the true meaning of Canada for the capitalist class:

> ["] Railways were not mere adjuncts to Confederation, they were of its essence; and the moral bases of a transcontinental union were the two solemn engagements to provide railway communications from the St. Lawrence valley to the oceans... Political union would at once provide a basis upon which [past obligations resulting from the construction of a transportation system] could be more easily borne, and a fund of resources out of which the transport system could be completed and the existing investments made more profitable.["][37]

In fact the constitution of 1867, which was designed for one particular economic strategy, has been a problem ever since as the result of the emergence of an economic reality unlike that imagined by the Fathers of Confederation.[38] The economic goal of Confederation was the creation of a continent-wide trading system. The 1867 Act assumes growth based on the development of the new Western agricultural regions, the emergence of a national industry, large-scale immigration, and a continuation of the commercial system of the British Empire. The powers necessary to guide such development were conferred upon the Ottawa government. Macdonald's National Policy of 1879 showed how the state was to be used in the interests of the Canadian bourgeoisie. The National Policy provided government backing for the building of the railway; it established a tariff which would provide business for the CPR, shipping manufactured goods from the east to the prairies and wheat east towards Montreal and thence to Europe. The government in Ottawa showed that it was determined to bring the west under the control of Canada. In 1885 troops were sent to put down the second Riel rebellion, showing that Métis and Indians would not be allowed to interfere with the "sub-imperial" interests of Canada's merchant capitalists.

As things turned out, however, the major bases for development in much of Canada in the years after Confederation were mining, newsprint and hydro-electric power, and later urbanization and road transportation. This has meant that the provincial governments, which were given control over the public domain have emerged as critical institutions within the Canadian state. **In addition, the U.S. branch plants began to appear in Canada in large numbers. And the fact that much of this post-Confederation industrial development has been directed from the U.S. has added a further and profoundly important facet to the role of the state in Canada. Harold Innis pointed to this when he noted that the achievement of "independence" in Canada was connected with the decline of Canada's economic role in the British Empire:**

> ["] The end of the period of expansion based on the St. Lawrence and trade with Great Britain coincided roughly with the achievement of Dominion status which followed the Great War and which was marked by the Statute of Westminster. . . . The extension of the American empire, the decline of

its natural resources, and the emergence of metropolitan areas, supported capitalist expansion in Canada and reinforced the trend of regionalism. The pull to the north and south has tended to become stronger in contrast with the pull of east and west. The British North America Act and later decisions of the Privy Council have strengthened the control of the provinces over natural resources such as minerals, hydro-electric power, and pulpwood on Crown lands, resources which have provided the basis for trade with the U.S. and for investment of American capital.["][39]

The changing pattern of dominion provincial relations has thus echoed the transition from formal colonial status within the British Empire to informal dependent status within the U.S. empire. Informal empire has a long history of which the variety known as neo-colonialism is only one type. It was in 1824 that the British foreign-secretary, Canning, said "Spanish-America is free and, if we do not mismanage our affairs sadly, she is English."[40] U.S. capitalists had long understood the meaning of this statement, although they had not waited for some Spanish colonies to liberate themselves. It was during the period following World War I that Canada was subjected to the decisive shifts towards the economic structure which we now know. The flow of resources to the south was increased and U.S. branch plants established complete domination in the automotive, electrical and chemical industries in Canada.

It should not be thought that the transition from one empire to another has occasioned much conflict within the capitalist class. The majority of the Canadian bourgeoisie was quick to discover the benefits of continentalism. For them it has paid *(at the cost of abandoning sovereignty over the most dynamic economic heights of the Canadian economy, and masked by a charade of political sovereignty – Web Ed.)* For the rest of the country the long-run price has been high, as Harold Innis observed in the concluding pages of *The Fur Trade in Canada:*

> ["] The economic history of Canada has been dominated by the discrepancy between the centre and margin of western civilization. Energy has been directed toward the exploitation of staple products and the tendency has been cumulative. ... Agriculture, industry, transportation, trade, finance, and governmental activities tend to become subordinate to the production of the staple for a more highly specialized manufacturing community.["][41]

In fact, even a few members of the Canadian bourgeoisie have worried that too high a price would eventually be paid for development within the U.S. empire. Until the 1940's the Canadian bourgeoisie, through their control of a state within the British Empire, were a valuable asset to the U.S. capitalists. The "North Atlantic Triangle" was then a reality, though the interests of the U.S. capitalists extended well beyond the North Atlantic portion of the British Empire. From the early twentieth century to the 1940s the Canadian bourgeoisie was in a relatively favourable situation as it balanced on the base created by the other two corners of the triangle. With the decline of the British Empire the base for this balance was destroyed though, like a sleepwalker, the Canadian bourgeoisie appeared not to notice. Some voices tried to waken them gently. It was no accident that this gentle alarm was sounded by figures both associated with the financial bourgeoisie and with an active role in the Canadian state. **James Coyne and Walter Gordon both realized that, with the rapid take-over of Canadian resources and productive facilities, the Canadian bourgeoisie would be left with an increasingly insignificant role in the U.S. empire. Even the role of the state would pass from that of an intermediary between the U.S. and Canadian bourgeoisie to becoming increasingly a direct creature of the U.S. imperialists.**

The loss of sovereignty by the Canadian government can be seen in many ways. In fact the term "special status" is only a euphemism for the sale of sovereignty. As has been shown in the introduction to this book, the process began in earnest in 1940 with the creation of the Permanent Joint Board of Defence. The process was carried further by Canada's participation in NATO and NORAD. The events of the "Cuban missile crisis" of 1962 revealed that the Canadian government had virtually lost ultimate authority over its own military forces. Pressure to mobilize the Canadian forces from NORAD and the U.S. government was stronger than the misgivings of the Prime Minister and the unwillingness of the Minister for External Affairs. It was in vain that the latter pleaded "if we go along with the Americans now we'll be their vassals forever."[42] The delay in jumping to the bidding of the U.S. by Diefenbaker and Howard Green split the Conservative government. Since the Liberal party has been the agency of "special status," it is doubtful that a

Liberal government would have even noticed that a fundamental issue of Canada's sovereignty was in the balance.

The defence of U.S. "security" was also an issue in the death of a high-ranking Canadian diplomat in 1957. Herbert Norman, Canadian Ambassador to Egypt, was hounded to his death by accusations from the U.S. Senate Internal Security Subcommittee. This witch-hunting was abetted by the supply of confidential information from the Canadian government.[43] (In May, 1973, in response, to an allegation that the Nixon administration had planned to break into the Canadian Embassy in Washington, an external affairs spokesman stated that "all the Americans would have had to do was ask for any information they wished."[44])

In 1965 it became apparent that the Canadian government could not even control its own taxation policy. Walter Gordon's budget proposed to disallow tax deductions for advertising in foreign-owned newspapers and periodicals. Bowing to pressure from the U.S. State Department, the government exempted *Time* and *Reader's Digest* from this legislation. It appeared that the U.S. government used both the quota on oil exports and the auto-pact as levers in the "negotiations."[45] **The auto-pact itself is a mechanism by which the Canadian government has ceded control of a critical industry to the U.S. government and foreign corporations.**

From resource sell-outs to low taxation for U.S. corporations, from Defence Sharing Agreements to the auto-pact, Canadian governments have surrendered the Canadian economy to U.S. control. The loss of sovereignty has been an inevitable consequence. It is ironic that "special status" has been ended, not by the anger of the Canadian people, but by the measures taken by the U.S. empire to help it digest its other intended victims.

The Canadian state is now in the control of the dominant section of the ruling class in Canada-the U.S. corporations. The Canadian state furthers the interests of U.S. capitalists and by so doing contributes to Canada's further integration into the U.S. empire. This is leading to the disintegration of Canada. ***But the fact that a Canadian state still exists is of great significance. For the Canadian people to demand the right to control that state would be a profoundly anti-imperialist action. This would not mean the defence of the present state which daily works in opposition to the interests of the people of this country. It would mean the political possibility of creating a Canadian state controlled by the working people which would serve as an instrument of national liberation.***

The demand for an independent state would itself be a demand for a state in the hands of the people. The capitalists in Canada are well aware of this danger and for this reason work assiduously to undermine the concept of Canadian sovereignty. That is why it is essential for Canadians to defend Canadian sovereignty and to assert their right to their own independent state at the same time as they struggle against the policies of the capitalist state in Canada *(emphasis by the Web Ed.)*

Notes

1. J. M. Keynes, *The General Theory of Employment, Interest, and Money.* Macmillan, London, 1961, p. 378.

2. R. Chodos, "The Great Canadian DREE machine", reprinted in the Last Post Special, *Corporate Canada,* ed. M. Starowicz and R. Murphy, James Lewis and Samuel, Toronto 1972.

3. See *The Last Post,* March, 1973.

5. In D. Drache (ed.) *Quebec—Only the Beginning,* New Press, Toronto, 1972, p. 210.

5 R. Miliband, *The State In Capitalist Society,* Weidenfeld and Nicholson, London, 1969, p. 49. This is an important study for an understanding of the class nature of the capitalist state. One of the difficulties with Miliband's analysis, however, is that he does not show the way in which the nature of the state is linked to a theory of social change resulting from class conflict. That is, he provides an essentially static analysis, influenced by the fact that he is refuting the pluralist argument, which does not specify the structures by which movements at the different levels of capitalist society are linked together and determined by one another. He emphasizes the cohesion of the capitalist state but not the way in which the state adjusts to make certain of the reproduction of the conditions of production under changing conditions of forces of production and social relations of production.

Miliband in fact notes that the Marxist theory of the state has lagged behind other aspects of Marxist analysis. (A summary of its development can be found in Miliband's article "Marx and the State" in *Socialist Register,* 1965.) It could be argued that a Marxist theory of the capitalist state is impossible since analysis of elements of the superstructure must take into account the historical specificity of class structures in each capitalist state. Of course a

theoretical problematic is necessary and an important contribution to this has been made by Nicos Poulantzas in his *Pouvoir Politique et Classes Sociales,* Maspero, Paris, 1970. An English edition of this book has just been published by New Left Books, London, 1973. There is an interesting exchange between Poulantzas and Miliband which first appeared in *New Left Review,* nos. 58 and 59, and is reprinted in R. Blackburn (ed.) *Ideology in Social Science* (Fontana), London, 1972.

6.'Miliband, *The Slate in Capitalist Society,* p. 16.

7.Ubid., p. 88.

'8./bid., p. 92.

9.'This passage from *Social Reform and Revolution* can be found on p. 84 of *Selected Political Writings of Rose Luxemburg,* Monthly Review Press, 1971. On the general nature of social democracy see the essay by Lucio Colletti, "Bernstein and the Marxism of the Second International" in L. Colletti, *From Rousseau lo Lenin,* New Left Books, London, 1972. [i0]J. M. Keynes, *Essays in Persuasion,* Norton, N. Y., 1963, p. 253.

[11] For a discussion of some of the strange inhabitants of the mystical world of the "neo-classical" economists, see E. K. Hunt and Jesse Schwartz, *A Critique of Economic Theory,* Penguin Modern Economics Readings, 1972.

[12] R. Deaton, "The Fiscal Crisis of the State *"Our Generation,* v.8, no. 4 and also available as a reprint. This is an important article with the exception of the last section which is curiously unrelated to what has gone before. The nature of the "fiscal crisis" should be seen as an issue in the debate referred to below.

[I3]C. B. Macpfierson, *The Real World of Democracy.* CBC Publication, Toronto, 1965.

[14]They are mentioned in A.R.M. Lower, *Colony to Nation,* Longmans, Toronto, 1957, p. 465.

[15]K. Marx, *The Civil War in France.*

[16]There is of course an outline of the conflict between capitalism and seigneurialism by Marx in the *Communist Manifesto.* Some detailed discussion can be found in the important work of E. J. Hobsbawm. See, for example, his essay "The Crisis of the 17th Century", reprinted in T. Aston (ed.), *Crisis in Europe, 1560-1660,* Anchor, Garden City, 1967, and also his book *The Age of Revolution, 1789-1848,* Mentor, N.Y., 1964. The importance of the type of agrarian revolution has been stressed by Barrington Moore in *Social Origins of Dictatorship and Democracy,* Beacon, Boston, 1966. For the history of the early years of the English working class and an example of the kind of history we need, see E. P. Thompson, *The Making of the English Working Class,* Penguin, Harmondsworth, 1969. The continuing importance of all these points was stressed by Antonio Gramsci. See, for example, his essay "The Southern Question" in Gramsci, *The Modern Prince and Other Writings,* International Publishers, N.Y., 1957.

[17]See E. Genovese, *The World the Slaveholders Made,* Vintage Books, N.Y., 1971, Part I.

'18.'Article "Colonies" by Veron de Forbonnais in *L'Encyclopedic* Quoted by S. B. Ryerson in the *Founding of Canada,* Progress Books, Toronto, 1972, p. 178.

19."P. Baran, *The Political Economy of Growth,* Monthly Review Press, N.Y. 1957, Ch. 5.

[20]W. A. Williams, *The Contours of American History,* Quadrangle Books, Chicago, 1966. For a brief review see his article in *Canadian Dimension,* Vol. IV, 1967.

[21] See, for example, his *Capitalism and Under-development in Latin America,*Monthly Review Press, N.Y., 1969.

[22] For example, Ernesto Laclau, *New Left Review,* 67, 1971 and also the argument in Genovese's book cited in n.19

[23]K. Marx, *Capital,* v. 1, ch.6.

24.*"Ibid.,* ch. 10.

[25]On this see Phillipe Garigue, "Sociological Interpretations of the Social Evolution of French Canada", in M. Rioux and Y. Martin, *French-Canadian Society,* McClelland and Stewart, Toronto, 1964.

26.Translated from Gilles Bourque, *Classes Sociales et Question Nationale au Quebec,* 1760-1840, Parti Pris, Montreal, 1970, p. 196-8.

[27]For an understanding of the events of 1837 and their significance for the emergence of the capitalist state in Canada the studies by S. B. Ryerson, *Unequal Union,* International Publishers, N.Y. 1968, and Gilles Bourque (cited above) are of major importance. For an understanding of the democratic struggles in Europe from the 1790's to the I840's, with which the events in Canada should be compared, see the important work of George Rude. One example is *The Crowd in the French Revolution,* Oxford U.P., 1959.

[28]Tom Naylor, "The Rise and Fall of the 3rd Commercial Empire of the St. Lawrence" in G. Teeple (ed.) *Capitalism and the National Question,* University of Toronto Press, Toronto. 1972. An understanding of the nature of the Canadian bourgeoisie is essential for an understanding of the Canadian state. See also Gusta-vus Myers, *A History of Canadian Wealth;* Libbie and Frank Park. *Anatomy of Big Business.* The last two are published by James Lewis and Samuel, Toronto, 1972 and 1973. The books by Stanley Ryerson and Gilles Bourque, cited in n.27, are both important for an understanding of the development of the class structure in Canada.

[29]H. C. Pentland, "The Development of a Capitalistic Labour Market in Canada, *Canadian Journal of Economics and. Political Science,* v. 25, 1959, p. 455.

[30]C. Lipton, *The Trade Union Movement of Canada.* 1827-1959, Canadian Social Publications Ltd., Montreal, 1968.

"Ibid., p. 32.

[32]See *Last Post,* March, 1973. "Lipton, op.cit, p. 285-6. *"Ibid.,* p. 308.

[S]H. A. Innis, *Essays in Canadian Economic History.* Vol. 8, Toronto, 1956, p. 174.

[36]D. Creighton, *British North America at Confederation,* Queen's Printer, Ottawa, 1963, p. 10. This was Creighton's submission to the Royal Commission on Dominion Provincial Relations (Rowell-Sirois Commission).

[31]*Ibid.,* p. 59 (My emphasis).

[38]On this see A. Dubuc, "The Decline of Confederation and the New Nationalism" in P. Russell (ed.) *Nationalism in Canada.* McGraw Hill-Ryerson, Toronto, 1966.

[39]H. A. Innis, *Essays in Canadian Economic History,* p. 209.

40. Quoted in F. Clairmonte. *Economic Liberalism and Under-development,* Asia

Publishing House, Bombay, 1960, p. 14.
[41] H. A. Innis, *The Fur Trade in Canada,* University of Toronto Press, Toronto, 1962, p. 385.
[42]Quoted in Peter C. Newman, *Renegade in Power: The Diefenbaker Years.*
43. McClelland and Stewart, Toronto, 1963, p. 337. [43]W. L. Morton, *The Canadian Identity,* University of Toronto Press. Toronto, 1964, p. 81.
44"Toronto Star, May 30, 1973.
45 See Peter C. Newman, *The Distemper of Our Times,* McClelland and Stewart, Toronto, 1968, pp. 224-226.

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(Part 8) The Trade Union Movement in Canada
Mel Watkins

[*Emphasis by the Web Ed. throughout)*

In a capitalist society, unions are the largest institutions of the working class. To know anything of labour history is to know that they were literally created by the blood, sweat and tears of workers. To know the indigenous songs of workers is to know how many are related to particular strikes and to particular unions. I say this because a socialist analysis of unions is, in many respects, critical of unions as we know them today, and I do not wish to be misunderstood. At a time when unions are under sustained attack from the right, it is necessary to understand that a critique from the left is a very different matter. To criticize is not to undermine, but to help to transform -- to make them more powerful and more militant. In short, the socialist position on unions is, in the words of the famous song, "The union makes us strong."

In 1971 there were 2,200,000 trade unionists in Canada, comprising 33.3 per cent of the paid non-agricultural work force. **Sixty-two per cent of unionists in 1971 belonged to international, that is to say, to American unions operating in Canada. The Canadian Labour Congress (CLC), the main trade union central, had 74.8 per cent of union members affiliated to it.**[1] There are three other centrals: the Confederation of National Trade Unions (CNTU) and the new Confederation of Democratic Unions in Quebec, and the Confederation of Canadian Unions (CCU).

If continentalism is one striking feature of the Canadian trade union movement, a second is fragmentation. The 2.2 million unionists in 1971 were grouped into 10,056 locals with an average membership of about 220.[2]

A third feature -- notwithstanding the second -- is the tendency for the larger work places to be organized. Conversely, we can ask: which workers are least likely to be organized? The answer is those working for small-employers, white-collar workers in the private sector, and women.

Historically, skilled workers tended to be organized first, into *craft unions (confined to a specific often narrow set of skills --ed.),* and later all workers of a plant or industry into *industrial unions (encompassing all skills within a plant, including in)* recent years, major gains have been made in organizing public employees.

In a capitalist society, there are two basic classes -- the capitalists and the workers. They are defined in terms of their respective relationship to production, that is, ownership vs. non-ownership of the means of production. To exist, the worker must sell his labour-power to the capitalist, but that labour-power then produces a greater value than it itself costs; that is, it produces surplus value, which is simply unpaid labour, appropriated by the capitalist.

The question then becomes: how is the value which the worker produces divided between capital and labour, that is, what portion will be wages? The role of unions is evident from the answer that Marx gave to that question (in *Value, Price and Profit):*

> [“] Although we can fix the minimum of wages, we cannot fix their maximum. We can only say that, the limits of the working day being given, the maximum of profit corresponds to the physical minimum of wages; and that wages being given, the maximum of profit corresponds to such a prolongation of the working day as is compatible with the physical forces of the labourer. The maximum of

> profit is therefore limited by the physical minimum of wages and the physical maximum of the working day. It is evident that between the two limits of the maximum rate of profit, an immense scale of variations is possible. The fixation of its actual degree is only settled by the continuous struggle between capital and labour, the capitalist constantly tending to reduce wages to their physical minimum, and to extend the working day to its physical maximum, while the workingman constantly presses in the opposite direction. The question resolves itself into a question of the respective power of the combatants.[“]

Marx then proceeds to make two very important points about strategy. The first has to do with what he calls legislative interference. "As to the *limitations of the working day,* in England, as in all other countries, it has never been settled except by *legislative interference.* Without the workingman's continuous pressure from without, that interference would never have taken place. . . . The result was not to be attained by private settlement between the workingmen and the capitalists. This very necessity of *general political action* affords the proof that in the merely economic action capital is the stronger side."

The second has to do specifically with unions. "Trade unions work well as centres of resistance against the encroachments of capital." It is true that unions struggle within a system in which workers sell their labour power as commodities. But, to merely demand "A fair day's wage for a fair day's work," would be to accept wage slavery under capitalism. In addition to these demands, the workers must also use "their organized forces as a lever for the final emancipation of the working class, that is to say, the ultimate abolition of the wage system."

What should be stressed at this point is that unions can modify the distribution of income between capital and labour in favour of labour.

During the period of rising productivity since World War II, labour has only been able to hold its own in bargaining with capitalists, that is to say, in the economy as a whole, wage gains have not outstripped productivity gains. This suggests that without unions, in the post-war period, the share of production going to labour would actually have fallen.

Thus the fallacy of the view that unions cause inflation. This is an important matter, particularly because many people, including unorganized workers, believe that they do, and harbour anti-union sentiments as a result. This issue, indeed, is very relevant to the divide-and-conquer tactics of the corporations, aided and abetted by the media.

Corporations are clearly powerful and reserve to themselves the unilateral right to set prices. We know that wage settlements are followed by price hikes, but we also know that the big companies use the occasion of wage settlements to hike prices by more than wage costs have risen. Even John Young of the Prices and Income Commission finally admitted -- though only after a lot of loose and damaging talk -- that unions are not the major culprit.

The root cause of inflation lies not with unions, but rather with the contemporary structure of corporate capitalism. Capitalism is now monopoly capitalism, not *laissez-faire* capitalism. Inflation results, therefore, from corporations administering prices; they avoid competing through price cuts, but compete through sales promotion which drives prices up, and they may raise rather than lower prices when demand slackens, hence contributing to the simultaneous occurrence of unemployment and inflation.

Inflation, of course, erodes the income of working people and reduces the value of wage increases previously won. Unions, in turn, properly endeavour to protect their members by making further wage demands sufficient to compensate for the loss through inflation.

Seen in this light, unions protect their members from an inflation not of their making. It follows that those workers who are not organized - and those outside the labour force, such as the aged -- are the real losers. The latter, being only too conscious of this, feel split off from the unionized workers and are often easy prey for the propaganda that unions are themselves the cause of their impoverishment.

The appropriate response for the labour movement, as well as doing educational work, is to adopt a class perspective rather than simply an economist perspective. It must put forth as political demands that old age pensions and minimum wage levels be tied in full to the cost-of-living escalator. They must agitate politically for price controls -- but not, of course, for wage controls.

The latter point is particularly relevant, for it is possible -- indeed probable, in the new era of inter-imperialist rivalry -- that Canada will shortly have wage/price controls. Since price and wage controls are simply a guise for freezing wages so as to keep costs down for Canadian capitalists, unions must refuse to go along with them. But they should be more than ready to call for price controls as a way to protect the working class as a whole from being exploited by the corporations.

Class Consciousness and Business Unionism

In terms of class consciousness, unions represent, in Lenin's distinction, trade union consciousness rather than socialist consciousness. Unions are defensive organizations operating within the system, which is no small matter, but they are not necessarily socialist or anti-capitalist. The class consciousness of the Canadian trade union movement is overwhelmingly trade union consciousness. Eric Hobsbawm, the British historian, suggests there are four stages, or levels, of the labour movement: 1) individual revolt, crime, and machine-wrecking; 2) trade unionism and strikes; 3) political movements in general; 4) socialist movements in particular. ***He also observes that the development of labour parties is so common in industrial capitalist societies that it is necessary to explain the infrequent cases where they have not developed, as in the United States.***

Class consciousness must be understood as an historical phenomenon, as rooted in the interaction of capitalist relations of production and the specific nature of culture and institutions. The Canadian working class has been powerfully influenced, on the one hand, by British social democracy and, on the other hand, by the Gomperism of American unions. Social democracy is the politics of the British labour movement at the height of British imperialism, and Gomperism or business unionism is the politics of the American labour movement at a critical phase of American imperialism. The result has been to inhibit anti-imperialist consciousness among Canadian workers.

Affecting the consciousness of workers is the fact that between capitalists and workers there stand an array of middle groups belonging to neither of these basic classes. There are declining groups -- independent farmers, fishermen and tradesmen -- and also new middle groups -- industrial and government bureaucrats, salesmen, publicists, and professionals. **However, Leo Johnson argues[3] convincingly that the petty bourgeoisie has declined in Canada, largely by being proletarianized. Furthermore, he observes the relative stability of blue-collar workers, and evidence of their increasing alienation; the rapid growth of the white-collar sector, particularly clerical workers, but growing proletarianization and alienation, with white-collar unions now the most rapidly expanding sector of the labour movement.** He also notes the growth of professionals with enormous income gains, as in the case of doctors, particularly by the self-employed, **but an overall decline in the proportion of professionals in independent practice and an increasing tendency, particularly among teachers, towards an income squeeze, that is, some tendency toward proletarianization, and in Quebec to unionization.** From an examination of both the old and the new middle classes, Johnson suggests the Canadian class structure is being simplified and polarized, and this has very important implications for both unionism and socialism.

When we observe actual class structures, it is necessary for us to see the diversity. For as well as diversity, we observe fractionalization of the working class, selective bribing, co-opting, false consciousness. And that too is in the nature of capitalism, for it is in the interest of the capitalists to divide and conquer and to prevent the solidarity of the working class. Hence workers are divided between countries and within countries, between organized and unorganized, and are encouraged to be sexist and racist. The reverse of the coin is that unions, to fight capitalism, have to struggle against sexism, racism, bourgeois nationalism and elitism *(vis-a-vis* the unorganized and those on welfare), and by recreating solidarity, create class consciousness.

Workers' consciousness is powerfully affected by the nature of unionism. Business unionism has reduced the fighting capacity of Canadian workers in their confrontations with the corporations. Because business unionism accepts the view that, given certain specified reforms, capitalism as a system serves the best interests of workers, it blunts the edge of workers' militancy and trade union consciousness, not to mention class consciousness.

It is no accident that business unionism in Canada has managed to eliminate militant traditions in the trade union movement. For example, in 1946 the Canadian Congress of Labour, which brought together all the industrial (CIO) unions in Canada, organized a co-ordinated campaign of several key unions in Canada for negotiations and demands. Even the timing of strikes was co-ordinated, with IWA *(woodworkers)* in British Columbia as the lead-off union. This co-ordination produced the biggest and most successful strike movement in English Canadian history which made the important break-through on the eight-hour day and the 40-hour week as the norm for the country. It led to the victory of the Steelworkers union in Stelco in Hamilton against fierce odds, and the success of seamen, woodworkers, rubber, electrical, chemical and many other workers. It consolidated unions like the USWA *(steelworkers),* the UAW *(autoworkers),* and the UE *(electrical industry workers),* the IWA *('woodworkers' & logging notably BC and Quebec)* and several more.

But such co-ordination of negotiations, which once confronted the large corporations and the Canadian state with the power of several hundred thousand workers, has vanished. Now, the skill of a few top experienced business negotiators, rather than the power and mobilization of the rank and file, must force the employers to realize that the workers know their power and intend to exercise it.

For the most part union leaders have accepted the philosophy of the cooling off period in negotiations to avoid strikes. They have failed to fight the whole battery of labour legislation whose purpose it is to soften the class struggle, through certification, conciliation, arbitration and the illegalization of strikes between contracts. Although they have raised objections to anti-labour injunctions and the use of strike-breaking agencies they have avoided the powerful weapon of direct workers' actions. Labour legislation objectively has the purpose of tying workers' hands, reducing militancy by confining strike action to specified periods. With this legislation has evolved the tendency to prolong existing contracts. **In the 1940s, for example, union contracts were negotiated annually, thus giving the rank and file a chance as an organized force to confront the boss once a year. This kept the union in fighting trim by having at least several months of intensive activity each year. Today, many if not most contracts have been stretched to three years.** When one takes into account the period of negotiations beyond an expiry date and a possible strike, as in De Havilland in Toronto, the average contract period can be as high as three and one-half or four years.

No wonder that unions have become less and less active, with attendance at meetings in large locals dropping to a low of one or two per cent of the membership. The local union has less and less meaning in the life of the average worker because the union's activity centres on a rather staged exercise every few years, in which top negotiators meet behind closed doors with the company and keep developments secret. The workers become alienated from their union just as they are alienated from each other and themselves, because of their role in work under capitalism. Little wonder that an increasing number of trade union members become anti-union, and even accept anti-labour, anti-strike attacks by the media and corporate spokesmen. Trade union leaders decry such sentiments among their members, but are unable to cope with them because their advocacy of business unionism is the real source of a drop in trade union militancy and support.

The most dramatic expression of this consequence of business unionism is seen in the U.S., the headquarters of American unions in Canada. The AFL-CIO leadership after some initial hesitation supported Nixon's 1971 wage freeze. Leaders of the Steelworkers in the U.S. have been in the forefront of the movement to curtail strikes. They unveiled this latest policy in 1973 at a meeting of union presidents, called by the Pittsburgh headquarters without prior discussion by the membership. They agreed to accept a no-strike policy for three years -- a policy which they hoped would set a new pattern for peace in industry and become a permanent feature of labour -- management relations in the U.S.A.

Such a policy of eliminating even "legal" strikes, results in restricting the dimensions of negotiations to existing issues of wages, hours and fringe benefits. Issues such as lay-offs, plant shut-downs, technological changes, control of foremen (and thus defense of the dignity of the worker), elimination or curtailment of boredom and mind-dulling repetition on the job-such issues receive little or no attention. The illegalization of walk-outs between contract periods hampers union activism and militancy -- the very issue over which the British trade union movement developed great militancy and a near general strike in the spring of 1973.

Perhaps the most obvious expression of business unionism is to be found in the argument often heard on the issue of organizing the unorganized. "It takes $300.00 to $500.00 to organize a worker and it would take many years to get our union investment back in the form of dues," goes the argument. The conclusion is that workers in small and medium-sized plants are thus not worth organizing.

The effect of the fragmentation of unions, of union locals often going it alone is the smashing of strikes in small and medium-sized enterprises. Such locals have been easy prey for strikebreaking agencies like Canadian Driver Pool and Grange, with the labour movement as a whole either coming in too late to help or not helping at all. ***An example is that of the Dare Strike in Kitchener, Ontario, where it took the labour movement almost a year to rally to support of the strikers -- support which culminated in the demonstration of 5,000 workers in Kitchener in May 1973. This demonstration of support happened largely because of the work of Support Committees in general, and the Waffle group in particular -- people who supplied the drive, organizational cohesion and human power in support of the active strikers to help mobilize the labour movement. But by that time it was too late to win the strike on the picket line, and the only prospect open was for a prolonged boycott campaign against Dare Cookies. The prospects were less promising than they would have been two or three months after the strike began.***

Allowing smaller locals to be smashed by anti-labour injunctions and strike-breaking agencies has sapped the morale of the trade union movement and weakened the drive to organize the unorganized. If business unionism has become the life-style of the union as seen by the rank and file, for the full-time officialdom it has become truly a business and a prosperous one at that.

There is now a large complement of full-time officials who tend to get cut off from their rank and file. Once in a full-time staff position there is a tendency, as with all bureaucracies where removal or change of staffers is difficult, for officialdom to hold on at all costs. Nothing is considered worse than the possibility that they might have to return to their previous job or type of work. For many staffers holding on to their job has become more important than anything else in the union. Approximately 4,000 full-time staffers constitute the permanent "civil service" of the trade union movement in Canada. The tendency is for them to reach a standard of pay, with special daily and travel allowances and a way of life which is far removed from the members whom they are hired to serve. Top officers in the Steel Workers or Auto-workers in Canada now have salaries and perquisites which are equivalent to about three times that of the highest-paid workers in that industry and five times that of the average worker.

Symbolizing business unionism is the physical location of the Ontario Federation of Labour building in Toronto. Nestled among corporations like the IBM and Texaco, it is in an area far removed from workers in the plants and institutions who make up the membership of the OFL. On the bottom floor, there is a bank.

While dozens of local halls where the rank and file gather are often beehives of activity and expressions of working class militancy and consciousness, the top business leaders of unions tend to separate themselves off in plush offices and into areas which are free from the smell of the factory or mine.

The fact that the headquarters which pay these officials are in the U.S. and that officials are ultimately responsible to Pittsburgh, Chicago, Detroit, New York or Washington, removes them still further from ordinary workers in Canada. Much of the anti-union feeling which exists among union members stems from this phenomenon. The feeling that the union is not really the rank-and-file, but that it consists of the staffers and that the union serves the staffers first, is largely responsible for the low level of union activism and morale.

The loss of the Kitimat local of the USWA *(US-BASED STEELWORKERS' UNION LOCAL --ED.)* **to a Canadian union was presumably due to such loss of contact between staffers and rank and file. The Canadian leaders of the USWA have admitted this condition under pressure to explain the much-publicised loss of the local to a Canadian union.**

Probably the most flagrant expression of business unionism and the ready acceptance of capitalism as a desirable system for the workers is the movement of union leaders into company or government jobs. This has happened in the very field of "labour-relations" -- where just prior to becoming corporate men, they had presumably been representing the workers. A recent case of a president of a large USWA local in Ontario who went to work for the company on "labour relations" before his term had expired was a logical out-come of business unionism.

Unions and the National Question

The issue of international or American unions in Canada must be put into the broadest possible framework. The lot of workers and the nature of their institutions in one country cannot be discussed except with reference to the political economy of that country as shaped by its place in the imperial chain, in the hierarchy of metropolis/hinterland relations. ***Canada is a dependent capitalist country now deeply integrated into the American empire. The history of Canadian unions is coincidental with the increasing Americanization of the economy, with the northward spread of the American-based multi-national corporation since the late 19th century, and with "special status" for Canada from 1945 to 1971.***

The classic defense of international unions in Canada is to point to the multi-national corporation as a fact of life, to say that it should be fought by multi-national unions, and to imply that that is what international unions really are. The problem with this line of reasoning is that it misidentifies international unions. It pretends they are multi-national unions, while in fact they are continental, or American unions operating in Canada with their head office, in every case, in the United States.

But there is no denying that the name of the game is to do battle with the multi-national corporation. Corporations have gone multi-national, and if workers are to protect their position, they must act multi-nationally as well. But a multi-national labour movement would mean, not American unions operating outside the United States -- which smacks of piling one kind of imperialism on top of another -- but rather national labour movements closely co-operating with each other. From that perspective, each country needs to have a powerful labour movement, a body able to protect the interest of its workers in the real world of corporate imperialism where whole countries can be exploited, and able to establish fraternal relations with workers in any and all countries.

Nor need the fight against the multi-national corporation be confined to accepting its existence in perpetuity. The socialist alternative to the multi-national corporation is public ownership and national planning. The struggle for that will not be easy and a powerful and national labour movement is a prerequisite to its success.

To put things this way is to see that American unions in Canada necessarily inhibit the development of a Canadian labour movement. They do this by fragmenting the union structure. They do it by causing Canadian workers to relate in a limited economic way with U.S. workers in the same industry, rather than in a political way with Canadian workers in other industries. They do it by dampening national consciousness, since to raise the national question at any level is to risk having it spill over to the area of the labour movement itself.

The issue is not only the fact of American unions in Canada, but the nature of American unions. Of all industrial capitalist countries, the American labour movement is the most committed to business unionism, and is also the most conservative if not the most reactionary. Hence, we are not surprised when John Crispo[4] tells us that international unions have a moderating influence on Canadian labour. He cites that as a benefit -- a plus for the internationals -- but others are allowed to disagree.

Consider two infamous interventions by the AFL. During World War One a number of Canadian workers either were anti-conscriptionist, or were saying that if labour was to be conscripted, so should wealth. Samuel Gompers, President of the AFL, at the invitation of Prime Minister Borden addressed our House of Commons in favour of conscription. Again, during the Winnipeg General Strike of 1919, Canada's Minister of Labour got the AFL to use its influence on its Canadian affiliates to stop the strike spreading outside Winnipeg, specifically to Toronto, and did so by citing the threat of the One Big Union (OBU), which stood for industrial unions and militancy, to the AFL, which stood for craft unions and conservatism.

Is it possible, however, that American unions would willingly yield to national unions were they desired by Canadian workers? The historical experience is suggestive. American unionism began to spread into Canada by the 1860s, basically for skilled tradesmen like the printers who wanted to continue to have mobility across the border. By 1873, the first trade union central, the Canadian Labour Union had been established -- 13 years before the formation of the AFL in the U.S. In the 1880s, a second trade union central emerged, the Knights of Labour -- also imported, but devoted to the unskilled industrial workers rather than the skilled craftsman. **In 1886, the craft unions of the CLU and the Knights joined to create the TLC (Trades and Labour Congress), in contrast to the U.S. where the AFL excluded the Knights from its inception. In the 1890's the Knights declined in the U.S. but remained as unions in Canada, and particularly in Quebec; that is, the Knights became in practice a Canadian trade union central. At the same time, AFL influence was growing inside the TLC. At the 1902 Convention, a motion was passed that "no national union be recognized when an international union exists." As Charles Lipton argues,[5] the Knights were automatically excluded, the unity of the Canadian labour movement was split, and the effect was "a counter-revolution" in the Congress. In the first decade of the century, 90 per cent of all unionists in Canada were ensconced in international unions, but it was not a decision freely arrived at.**

In the 1920s -- 1927 to be precise -- a new Canadian trade union central emerged, the All-Canadian Congress of Labour, or ACCL, around the Canadian Brotherhood of Railway Employees. The ACCL was militantly nationalist and committed to industrial unionism. In the 1930's, a period of smashing of trade unions in both Canada and the United States was followed by a great spurt of industrial unionism and the emergence of the CIO in the United States. Simultaneously, industrial unionism grew rapidly in Canada. *In the late 1930's, this was particularly marked after the great sit-down strike by the GM workers in Oshawa in 1937, an event which reflected not only spontaneous trade unionism but also the role of the political left, the Communist Party and the CCF. Overwhelmingly, these unions were organized by Canadians, and just as overwhelmingly chartered into American unions.* In 1941, a weakened ACCL merged with the CIO unions to create the CCL (Canadian Congress of Labour), and the ACCL had to yield to CIO demands that all locals within the CIO jurisdiction must automatically join the appropriate CIO union. **Labour historian Irving Abella argues that the victory of the internationals was finally consolidated at the 1952 CCL convention, when CIO unions achieved full control over CCL affairs and "the last lingering hopes for a purely Canadian national labour organization disappeared."[6]**

This discussion is not intended to portray Canadian unions through rose-coloured glasses. In 1937, Aaron Mosher, president of the ACCL, supported General Motors' and Premier Mitch Hepburn's anti-labour movement in their futile attempt to smash the CIO. The point is rather that the short-run benefits of American unionism in Canada are offset in the long run by their entrenched put-down of Canadian unions.

In spite of all the current claims by the large industrial international unions that the Canadian sections have full autonomy, flagrant cases of interference from the American head office point to the centre of real power.

Canadian supporters of American unions argue that for the most part Canadian workers benefit from the U.S. connection, because the U.S. headquarters often finance Canadian workers in strikes.

This argument runs in the face of the figures of CALURA, a government agency which reports a substantial financial balance in favour of U.S. union headquarters in terms of union money flowing between the two countries.

Even more important is the claim that U.S. headquarters never interfere with Canadian workers. Well, it happened in 1971 in the Douglas Aircraft strike in Toronto, in a union which makes great claims to "Canadian Autonomy" -- the UAW *(United Autoworkers).*

Briefly, the American union was anxious for a settlement with the Douglas corporation in the U.S. The strike at the Douglas plant in Canada threatened production in the U.S. plants. The American union leaders tried several manoeuvres, including the appearance of some 25 or 30 international representatives at a meeting in Massey Hall, Toronto, where the strikers turned down the high-pressure attempt to force a settlement. After this failed, the Canadian strike committee at Douglas headed by Archie Wilson was ordered to appear at Solidarity House, headquarters of the UAW in Detroit. There, in the Detroit office, the American president Leonard Woodcock and the American Executive Board ordered Canadian workers at Douglas back to work -- with the declaration that they were, as of then, cut off from strike pay.

The argument has continued to rage as to whether the American President and Executive Board, in ordering an end to the strike and in interfering directly in the affairs of a Canadian local had acted on behalf of a majority of workers in that plant. The contention was that a minority of radicals in the local had obstructed the will of the majority, and that Detroit had come to the rescue of that majority.

Two succeeding elections in the local have answered that question. Five months after the strike, Archie Wilson was re-elected with a majority of 600 votes as Plant Chairman. One year after this first test, the President of the Local and his supporters who had backed the return-to-work movement against those who wanted the strike to continue, and who campaigned against the "useless strike," were roundly defeated by the group which had been in the leadership of the strike. ***The real sentiment of the majority is now beyond challenge, and the story of the American headquarters cancellation of a Canadian strike stands as a monument to domination by an American union of Canadian workers who allegedly enjoy "Canadian autonomy".***

Another example of direct interference by the headquarters of a U.S. union in Canada is an event that occurred in 1966 in the Hamilton Local of the USWA (Local 1005) in Stelco, the largest local in the Canadian steel industry with 11,000 members. A group known as the "Autonomy Group" were active in the union's affairs and were critical of their union leadership. At the time of a rise in union dues they argued that such increases had in the past been accompanied by a rise in the high salaries of top officers and staffers.

For this they were charged by Stewart Cook, International representative of the union. Although a trial committee of the local found them guilty, a meeting of the Local membership at which over 600 workers were present voted against the trial committee's recommendations and acquitted them. In spite of this, the Pittsburgh office of the USWA suspended their constitutional rights for one year. During that time they were not even allowed to visit the Steelworkers Hall in Hamilton. Moreover, because the constitution provides that steelworkers must be union members in good standing for two years to run for office in the union, they were effectively barred from running for a period of four years.

The fact that these people were simultaneously the main advocates of greater control of their union in Canada may be coincidental. However, the boast of the USWA leaders in Canada that their union enjoys full Canadian autonomy to decide all matters relating to the Canadian membership carried a hollow ring in the face of this high-handed decision of the Pittsburgh headquarters against the rights of Canadian workers to criticise a rise in dues and the allegation that such dues would boost officers' salaries. If that is autonomy, then Canadian workers need much more -- full independence -- to be masters in their own union house.

The question of international unions must be put in the context of Canada's hinterland status vis-a-vis the U.S., that is, in the context of American imperialism. Dependence creates costs for Canadian workers, in terms of fewer jobs and a lower standard of living, and thereby creates objective conditions that should favour national unions. Why, then, have international unions persisted? It is not enough to cite the activities of U.S. union leaders and their Canadian counterparts, real though their power is in blocking national unions. Certainly, the AFL-CIO and the CLC leadership have not stopped the QFL (Quebec Federation of Labor) from relating in a radical way to the economics and politics of Quebec. Rather, we must recognize that the costs of dependence have not been crippling for English-Canadian workers, and Canadian unionists have generally done well, or at least well enough from their point of view. This results from Canada's historic special status within the American empire.

Special status can be used as a term to describe Canada's position within the American empire from 1945 to 1971. During most of this period, as the American economic empire expanded, Canada's economy expanded along with it. Special status was most evident in special arrangements -- the military agreements of World War II, NORAD, and the Defence Sharing Agreements; the autopact; the exemption from the Interest Equalization Tax in 1963 and from balance of payments directives to direct investment firms in 1965 and 1968. When in the late 1960s America's economic hegemony was threatened by resurgent economies in Japan and Western Europe, the process of de-industrialization began in the Canadian economy. **In 1971 Nixon's new economic policies marked the end of special status for Canada.**

At the same time, our status as a resource supplier to the U.S. has not been ended, but enhanced, though it creates few jobs directly and can destroy many indirectly. Furthermore, the AFL-CIO unions, which had supported freer trade following World War II as part of the great consensus with the multi-national corporations, have moved sharply protectionist. This is evident from their support for the Burke-Hartke bill, which would set quotas on U.S. imports of manufactured goods at their late 1960s level. When Canadian Steelworkers went to the international union's convention in Las Vegas in the fall of 1972, they encountered Buy American posters and were subjected to an address on the virtues of Burke-Hartke. ***The effect was consciousness-raising -- in this case, national consciousness.***

Overall, the apparent ending of special status puts independence for the Canadian economy more firmly on the agenda of our politics. It does the same for Canadian unionists. But it does not in itself end the search for special status. The first response of the Trudeau government after August 1971 was to go to Washington and plead for the restoration of special status. The then Secretary of the Treasury Connally sent the Ministers home with their tails between their legs, but you may be sure they haven't given up trying. **Similarly, the heads of the Canadian sections of the international unions have argued that international unions are beneficial because they enable Canadian workers to lobby the American union leaders for special status.**

Let me quote from the *Globe and Mail* of December 5, 1972:

> ["] As part of their campaign for Canada's exemption (from Burke-Hartke), Canadian Labour Congress spokesmen visiting the United States have told U.S. unionists that Canada exports mostly job-creating raw materials to the United States.
>
> "We are creating jobs for them through this trade," a CLC official said recently. *{That we can agree with! Then it gets nasty. --MW}* "We support the intention of this bill, which is to curb cheap imports from 'slave-wage' countries like Japan and Taiwan," the officials said. "But Canada is not the same as those countries."
>
> The CLC spokesman also said that because Canadian union members belong largely to international labour organizations, this enabled them to argue more successfully for Canadian exemption ["].

Nor is the campaign utterly misguided. *Time* magazine of December 11, 1972, reports: "During a Steelworkers' seminar in Niagara Falls, Ontario last month, International President I. W. Abel agreed to

press for Canadian exemption from Burke-Hartke." And Leonard Woodcock of the UAW -- a union which is not supporting Burke-Hartke -- supports the rights of Canadian workers under the Autopact.

Whether the U.S. unions can get this for their Canadian brothers as part of the Nixon Administration's new love-affair with them remains to be seen. But even that is not the real point. Rather, what has to be understood is that such a strategy puts Canadian workers in the untenable position of asking for favours, and is bought at the price of evading the alternative strategy of independence -- for the Canadian economy and for Canadian workers within their unions.

There is now a cleavage between the American union leadership and Canadian workers. It is not of the making of Canadian workers, but neither should it be seen as basically of the making of American workers. American workers do not run the United States, but the multi-national corporations do. The present split has been created by Nixonomics and the fact that the leadership of the American trade union movement supports Nixonomics.

Given the intransigence of the leadership of the CLC and the American unions in Canada, the near future is likely to see further break-aways of single locals and a concerted counter attempt by the internationals to smash the Confederation of Canadian Unions. But in the longer run, as the contradictions in the Canadian-American relationship increasingly manifest themselves, we might expect to see the breakaway of whole Canadian sections. The independent Canadian unions that will result will do much to increase anti-imperialist consciousness among working people and thereby transform Canadian politics.

Labour and Politics

We have seen that trade unions are indeed necessary for workers to improve their lot under capitalism; in fact, they are their most important institution. But we have also seen that "pure and simple" unionism is not sufficient, but must be supplemented by general political action. This is true under capitalism; it is doubly true if the intent is to abolish capitalism and create socialism.

Furthermore, we have noted that almost everywhere under industrial capitalism, we see not only trade unions but also labour parties -- and even socialist parties. Canada is not an exeption, as witness the NDP and, at least historically, the Communist Party.

In fact, what we observe is a relationship between unions and political parties, where the more politically conscious unionists support social democratic or socialist parties, and where political parties of the left endeavour to create formal links with the labour movement.

Historically, in the 1930s and 1940s, members of the Communist Party and of the CCF played critical roles as union organizers and deserve much of the credit for moving Canada into the age of industrial unionism. As already noted, both parties had much to do with Canadian workers joining the internationals and the CIO. This is presumably related to the fact that neither party was able then -- or even down to this day -- to evolve a serious commitment to linking independence and socialism.

So far as present electoral politics are concerned, many workers still look to the NDP. Thus, the relevant question is whether the NDP understands the contradictions that presently face Canadian working people and is prepared to organize around them. The Cold War, the revelations about Stalin, and the Russian adventures in Eastern Europe destroyed the credibility of the Communist Party. The CCF survived, but in the face of the Diefenbaker landslide of 1958 merged with the CLC to form the NDP**.**

Affiliation of unions with the NDP might have seemed a good thing at the time. But recent history suggests that neither the trade union movement nor the NDP benefitted from the formalization of the ties. On the one hand, for many rank-and-file trade unionists voting for NDP candidates became a substitute for grass-roots political involvement within the unions. On the other hand, rank-and-file unionists failed to get involved in the affairs of the party to any significant degree; indeed, many voted Liberal or Conservative

while their check-offs went to the NDP. ***AS the party began to move toward a tough stand on independence and socialism, a handful of Canadian leaders of the international unions choked off the process*** *(resulting in the rapid withdrawal of the Waffle forces from the NDP in the early 1970s --ed.)* ***In the long run, that is bound to be costly to the labour movement itself, for Canadian workers find that their labour party is not very different from the two existing capitalist parties and is intolerant of change.***

But to find the NDP wanting is not to leave trade unions with nothing to do in the seventies in the area of general political action. In the face of the Nixonomics of resource exploitation and de-industrialization, a cleavage exists between American labour leadership and Canadian workers. Canadian unionists can define the interests of Canadian workers as a class. They can put forth general demands -- like stopping the Mackenzie Valley pipeline. They can advocate independent political action outside the party system, such as common front activities by the CLC. They can move beyond the reformism of the NDP and play a major role in the creation of a new socialist party which truly represents the interests of the Canadian working class.

NOTES

1. Canada Year Book, 1972, pp. 866, 867.

2. *Canada Year Book,* 1972, 866.

3. Leo A. Johnson, "The development of class in Canada in the twentieth century," in Gary Teeple, ed.. *Capitalism and the national question in Canada* (Toronto, 1972)

4. John Crispo, *International Unionism: A Study in Canadian-American Relations* (Toronto, 1969)

5. Charles Lipton, *The Trade Union Movement o/ Canada, 1827-1959* (Montreal, 1967)

6. 1. M. Abella, "Lament for a Union Movement," in Ian Lumsden, ed.. *Close the 49th parallel etc: the Americanization oj Canada* (Toronto, 1970), p. 89; see also his N*ationalism, Communism, and Canadian Labour: The CIO, the Communist party, and the Canadian Congress of Labour 1935-1956* (Toronto, 1973).

(Canada) Ltd.: The Political Economy of Dependency

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(Part 9) Populist and Socialist Movements in Canadian History

John Smart

(Emphasis by the Web Ed. throughout.)

Canada is and has been a society where economic and political power have been concentrated, rather than distributed on an egalitarian basis. This was true of the seigneurial system in New France, the agricultural and commercial societies of the English colonial period after 1763, and of modern Canada under industrial capitalism. Just as important -- Canada is, and has been throughout its history, a colony[1] in successively the French, British, and American empires. Since people want control over their lives, though, our history is equally a history of people's movements aimed at redistributing power in their favour.

The rebellions of 1837 in Upper and Lower Canada, the Riel rebellions of 1870 and 1885 in Manitoba and Saskatchewan, the farmers' movements and their political parties after 1890, and the socialist and labour movements in the modern period all involved large numbers of Canadians in collective efforts along the same lines. Canadian historians have, by and large, been content to tell the basic facts about these events rather than going on to develop detailed and comprehensive analyses. **Good books exist on all these events but there is no school of Canadian scholars devoting themselves to further study of these phenomena. In the case of socialist and labour movement history, it is only in the past five years that even the basic books have begun to appear.**[2]

Few Canadian scholars have called themselves Marxists. We therefore lack the research and analyses in Canadian history which their point of view provides. As one member of the younger generation of Marxist scholars put it recently:

> [“] . . . there is little evidence on the Canadian left of the deep concern for factual accuracy, indigenous theoretical elaboration, and insight into the unique circumstances of national class development which has characterized European Marxist thought. In most cases the little intellectual work that has been undertaken is devoted almost entirely to polemics rather than analysis.... As a result of these failures, political leadership of Canadian Marxists has been almost uniformly disastrous . . . generally and rightfully distrusted in Canada by the very classes whose interests it desires to serve.[“][3]

So most Canadian history has not been written by socialists. As our scholars become socialists and as our socialists become scholars this situation will change. These intellectual developments will, of course, not materialize unless the working people of the country are also moving to socialism and demanding that their history be written. From the historical accounts that do exist at present, it is clear that the important people's movements in Canada's past do not all share the same motivation or pattern of development.

The rebellions of the nineteenth century were aimed at achieving political independence and at breaking the log-jam of reactionary British policy. *(Les) patriotes* and the followers of Mackenzie in Upper Canada in 1837 sought each other out and were able to agree to co-ordinate the timing of their uprisings because they shared a common problem -- the imperial control of Great Britain, imposed through local elites chosen by Westminster. By the fall of 1837 the economy of the St. Lawrence-Great Lakes system was in serious crisis due to local crop failures and to a series of commercial disasters that started in London and reached Montreal and York, as well as the United States, very quickly.

The British government was unable to deal with these problems in the colonies and was unwilling to let the colonists deal with them themselves through their assemblies. **In the case of Lower Canada, the governor took the initiative and moved against *(les) paatriotes* before their organization for an uprising was complete. The rebellions in both Upper and Lower Canada were aborted, but the home**

government was forced to change its policies toward British North America. A one-man royal commission -- Lord Durham -- was sent out to investigate. His recommendation that the colonies be given "responsible government" was eventually taken up by the British government.

In the case of the Riel rebellions in the Northwest more than a generation later, the local population -- Indian, white and Métis -- united against the colonial status which Ottawa insisted upon imposing on the territory purchased from the Hudson's Bay Company in 1869. The Métis and Indians were also resisting the loss of their lands, and of their distinctive way of life, culture, and economy. They knew all these were threatened by Ottawa's plans for the settlement and development of the West.

The local population was not forgotten by Ottawa. . . it was purposely ignored. Control of the land and natural resources of the Northwest was seen by Ottawa as essential in order to finance the private railway company. This company would build the line to British Columbia and people the country with immigrants. The principle of local control could not be admitted. The Métis nation had existed at Red River since the eighteenth century and had developed a sophisticated economy and culture, including an educational system and ties with Quebec. It was natural that such a community would resist, and in 1869-70 it did so effectively. The representatives of the Canadian government were not allowed entry. A provisional government was set up, and its representatives went to Ottawa and negotiated provincial status for their part of Manitoba.

The only mistakes made by the Red River community in 1870 stemmed from *naivete.* People there believed Ottawa's promises about amnesty for their national leader, Louis Riel, and a clean slate all round. Instead, the Canadian government and the British co-operated and a military expedition under Garnet Wolseley (one of the great imperialist soldiers of the nineteenth century) was sent to take possession of Red River. Provincial status was not withdrawn, but control of land and natural resources of the Canadian west was retained by Ottawa until 1929.

The Metis broke up and many moved to Saskatchewan, where a second, bloodier revolt was staged for the same reasons in 1885. The federal government responded in the same way except that, following the 1885 rebellion, really punitive measures were taken against the Indian population because they too had risen in conjunction with the Métis.[4]

The historical role consistently assigned to the west by the federal government in Ottawa has determined the character and persistence of western revolt.

The current indifference of the politicians and the courts to the claims of the native peoples of James Bay and the Mackenzie Valley for land rights and for protection of their environment and way of life, as threatened by giant government-sponsored projects in their areas, is clearly in the Canadian tradition.

The farmers' movements of the late nineteenth and early twentieth century were almost entirely populist in character. By that is meant that they were movements (and political parties) which purported to represent the rank and file of the people against "the big interests," but which did not go much beyond that analysis. They aimed at specific reforms in the economic and political systems. They called for a return to laissez-faire, free trade and fair competition, greater government control over large corporations and more progressive taxation policies.[5] These populist movements lacked a class analysis and did not differ much in their overall ideologies from those whom they were opposing, though they were class movements if one looks at who participated in them.

The extent to which these farmers' movements enjoyed electoral success is often forgotten. In 1894 the Patrons of Industry in Ontario elected 14 members to the Ontario legislature and briefly enjoyed the balance of power.[6] **Between 1919 and 1923 the United Farmers of Ontario formed the government at Queen's Park with labour support. In 1921 the United Farmers of Alberta swept the province and remained in office until defeated by Social Credit in 1935. Manitoba farmers formed a government in 1922, though they later merged with the provincial Liberals. In Saskatchewan some farm leaders co-operated with the Liberal party and the farmers did not win office during the 1920s. In the 1921**

federal election the Progressive Party -- the national Farmers' party -- won 65 seats, fifteen more than the Conservatives.

These were regional movements, and there were important differences. In Ontario the farmers in politics were generally more conservative and less effective. They felt, correctly, that agriculture and the rural way of life were being displaced from their dominant position in society, and they were right to resist the unpleasant changes in their lives which were being imposed on them. The farmers, though, worked out no alternative strategy of development for the province and spent too much time either harking back to a golden age or convincing themselves that they were still all-powerful. **In the West, particularly in Alberta and Saskatchewan, the farmers' movements were much more creative and dynamic. In addition to experimenting with democratic reforms in their politics, the wheat farmers built their own union (the Farmers' Union of Canada), and a mechanism for marketing their crop co-operatively -- the Wheat Pool.**

Populism began to give way more and more to socialism among the western farmers during the 1920s.[7] Some lessons were learned in the tough fight the farmers experienced in building the Wheat Pool (against the opposition of government and the corporations) and from seeing that, once operative, the Pool "alleviated the situation but did not solve agrarian problems." **That the farmers' governments elected early in the decade were unable or unwilling to effect very much change was also noted. In Saskatchewan the United Farmers of Canada, through its political arm, the Farmers' Political Association, co-operated with the Independent Labour Party to contest the provincial election of 1933 on a socialist platform. In 1931 a formal merger followed and the Farmer Labour Group was founded. It was this Group which formed the basis of the CCF in Saskatchewan and which participated in the Calgary and Regina Conventions of 1932-33 which founded the CCF** (the Cooperative Commonwealth *Federation, forerunner to the N.D.P. --Ed.)*

It was changes in ideology, along with the depression, which allowed large numbers of western farmers to come together with urban socialists of the west and east, in and out of the labour movement, to form the CCF. This was the first dominant national organization on the left in Canadian history. The CCF only emerged after thirty or more years of experimentation. It revealed both strength and weakness among Canadian socialists and organized labour in their fight to find a viable political movement.[8] Other strategies and ideologies were tried by significant numbers of socialists and socialist workers before the democratic socialist federation of the CCF was achieved in 1933. Labourism -- the election of independent labour candidates -- was tried and discarded early. Syndicalism -- contempt for electoral politics and parliamentary power in favour of reliance on the general strike and a single industrial union, swept western Canadian labour after World War i, carried by the One Big Union movement. On a program formulated at the Western Labour Conference in Calgary in March, 1919, syndicalists carried out a referendum on the OBU among western unionists. They succeeded in getting a number of locals to disaffiliate from their local labour councils, which were branches of the Trades and Labour Congress (TLC), the centre of the international unions in Canada. The OBU movement lasted about a year. The TLC counter-attacked strongly in the West to maintain its organization. There were clear cases of government and judicial discrimination against OBU unions in favour of the less militant TLC. The Winnipeg General Strike was at least partly a result of the OBU fervour. OBU sentiments lasted longer among Winnipeg labour unions than anywhere else.

Marxism and advocates of Marxist and Communist political parties existed throughout the period, but it did not emerge as a national political movement nor as a significant force in the trade unions. Why not? Before 1917 the Marxists in Canada tended to be pure and doctrinaire, cut off from the working class struggles of the time and largely concentrated among east European ethnic groups. 1917 was a key date. As *(Martin)* Robin *(1968 see [Note 2])* says:

> ["] The Russian revolution and the establishment of the Third International had a profound effect. . . . Bolshevism meant Socialism now, the bold translation of revolutionary propaganda and theory into practice. . . . Hitherto divided by their own pet orthodoxies, radical socialists were agreed that a new unity of the far left should be built on the basis of common support for the principles and strategy of

> the Bolshevik revolution . .. the international communist movement rather than the Canadian Labour Party was foremost in the mind of the far left. ["][9]

Canadian Communists did a lot of good work that has its place in the history of socialism in Canada, in the years after the party was formed in 1921. The CP *(CPC--Communist Party of Canada --Ed.)* played an important role in organizing the unemployed[10] in the 1930s and in organizing industrial workers into industrial unions." Communists were often the most vocal advocates of civil rights and spoke out usefully against political repression. Communists were also in many cases indefatigable organizers and educators, bringing many Canadians to have a basic understanding of socialism, capitalism and communism.

What prevented the CP from realizing its full potential was the same thing that gave the Communist movement its original stimulus -- dependence on events in the Soviet Union. The belief that the U.S.S.R. *(Union of Socialist Soviets of Russia)* represented the advancing wave of successful international socialism prevented Canadian Communists from seeing that much that happened in the Soviet Union after the mid-1930s had nothing to do with the growth of socialism -- only with the growth of Stalinism and the Soviet empire. This was particularly true after 1945 *(however the Stalinist faction had completely usurped power by the late 1920s and the infamous Moscow Trials had poisoned the dominant radical left by the early 1930s --Ed.)*

By 1945 the CP in Canada had changed its position, in line with Soviet policy changes so often that it was finished as a movement in Canada. (In the federal election of that year, the LPP *(Labor Progressive Party, wartime name of the CP --Ed.)* **publicly supported Mackenzie King and the Liberals against the CCF.)**

Unfortunately, its quick-change policy harmed more than the CP as an organization. The CP's opportunistic flip-flops over whether to support Canadian unions or right-wing international unions hurt the whole movement for independent Canadian unions. During the 1920s Communists worked in both the Canadian Labour Party and the all-Canadian Congress of Labour in ways which harmed both organizations without doing the CP any good. In 1935 under instructions from Moscow the CP in Canada disbanded its all-Canadian labour centre, the Workers' Unity League. As Abella says:

> ["] Thus, on orders from Moscow, the most militant national union in Canada unilaterally disbanded and turned over its entire membership to the American-controlled Trades and Labour Congress. It was a blow from which the national union movement was not to recover.["][12]

So it is not surprising that the only mass social democratic movement and party which did emerge during the Great Depression was not Marxist in its ideology, nor was it organized by Communists *(Stalinists boycotted, but Trotskyists participated via a left-caucus entrist tactic --see this website --Ed.)* . What exactly was the CCF? The CCF was a federation of farmers, labour and urban socialists brought together principally through the agency of J. S. Woodsworth. Woodsworth had a special personal moral force based on his career as a clergyman in north Winnipeg, a worker, labour organizer, writer,[13] and member of Parliament since 1921. Martin Robin calls him the first labour man elected to Parliament who did not either sell out or quit.

Looked at from the point of view of European socialist parties, the CCF was only semi-socialist. The *Regina Manifesto* pledged the CCF to eradicate capitalism, but the document was based on an assumed rather than stated class analysis. No strategy was enunciated for restructuring society. Tensions among right, centre, and left, and between socialists and social democrats, were present in the party from the start. The Saskatchewan CCF had a large number of members who were strong socialists and who were dedicated to building a democratic socialist movement in Canada. The Ontario CCF had a significant number of members with the same point of view. Up to 1945 there was a right versus left struggle in the CCF but there was generally right-wing control in the national party. After 1945 the left lost out entirely and the movement aspect of the CCF was almost completely lost *(see the SEL archives on the Website – Ed.)*

(...)

In 1956 the CCF national Convention passed the *Winnipeg Declaration* as a substitute for the *Regina*

Manifesto of 1933. The Winnipeg document was drafted by a four-man committee selected by the national executive. One gets the essential flavour of the two documents and of how much the CCF had changed over 33 years by comparing their final paragraphs. The *Regina Manifesto* ends: *["]* No CCF government will rest content until it has eradicated capitalism and put into operation the full programme of socialized planning which will lead to the establishment in Canada of the Co-operative Commonwealth.["]

(The *Winnipeg Declaration* says: ["] The CCF will not rest content until every person in this land and in all other lands is able to enjoy equality and freedom, a sense of human dignity, and an opportunity to live a rich and meaningful life as a citizen of a free and peaceful world. This is the Co-operative Commonwealth which the CCF invited the people of Canada to build with imagination and pride.["]

The membership of the CCF allowed its organization to be taken away from it and killed. Even in Saskatchewan the membership went along with the idea that it was right to modify the CCF programme in order to appeal to a wider audience among the electorate. The CCF in Saskatchewan dropped its radical socialism (notably its position in favour of nationalization of the land) before 1940 for electoral reasons. It remained a socialist party but failed to recognize the limitations of parliamentary socialism. As a result, during its 20 years in office the CCF government grew increasingly distant from the rank-and-file, "and this spelled doom to an organization which had to depend upon grass roots activity to offset the economic power of its opponents and a hostile mass media."[14]

The payoff came in Saskatchewan in the period (1962) when the CCF government had great difficulty withstanding the onslaught of the medical profession and business establishment in the province against medicare because it had not educated the people to see medicare and the CCF government as things operating in their own interest. In 1964 the CCF was defeated *(but only following the victory of the Medicare legislation, later installed across Canada – Web Ed.)*

The CCF membership also failed to build structural defences for themselves against the inexorable pressures of leadership control and centralization. Here they were partly misled by their own idea that socialism could only be achieved by a united centralized party and a united centralized federal government. *(See the record of this rank-and-file and left-caucus struggle in the Dowson archives, centered around a sustained and concrete 'orientation' of left forces on this Website – Ed.)*

The other factor which always affected and finally decided the character of the CCF *(and of the NDP after it --replacing the CCF in 1961 --Ed)* ***was the role played by organized labour. Here three processes ran together. Union leaders in English Canada over the past 50 years have spent most of the time which they did not devote to organizing and administering unions and negotiating contracts, to battling over three related problems -- whether unions shall have a "business" orientation; whether labour's political arm should have a socialist or a social democratic programme; and whether their unions should be independent Canadian unions or affiliated to the American unions.***

By the 1950s the character of the labour movement in English Canada was largely set in a business union framework, strongly affiliated to U.S. unions, and looking for a social democratic party to support. Out of this set of ideas the major industrial unions created the Canadian Labour Congress (1956) and the New Democratic Party (1961). The final outcome of the three battles *(in reference to the major struggles to establish industrial unions in the US and Canada in the 1930s and the WWII period--Ed.)* **was clearer and clearer after 1945 but during the first years of the CCF the outcome was in doubt.**

A good deal of clarification of the battle-lines came during the struggles of the 1920s. In 1929 when the first Western Conference of the Labour Political Parties met at Regina (with Woodsworth and M. J. Coldwell among the delegates) the organizers of the conference must surely have known whom to invite and whom not to invite. Since the purpose of the meeting was to "correlate the activities of the several labour political parties in Western Canada," it made sense to them to leave out the hard-line Marxists and Communists in favour of delegates and organizations who could be expected to co-operate on the basis of a shared philosophy. The fourth conference of the Labour Political Parties took place in Calgary in 1932 - - a joint meeting with the farmers' groups to found the CCF.

Unions as such played little part in the creation of the CCF in 1932-3. The 1933 CCF constitution made no provision for the affiliation of national trade unions "as much the result of the hostility of the rural delegates toward labour unions as anything else." Aaron Mosher of the Canadian Brotherhood of Railway Employees was the only leading unionist from central Canada who attended the Calgary and Regina conventions. **Key figures in the CCF from the start (certainly including David Lewis after he become National Secretary in 1936) did seek an organic link between the CCF leadership and the leadership of the principal unions. At the 1937 national convention, a resolution was passed approving the principle of trade union affiliation.**

It was no accident that this resolution came forward just when industrial union organizing in English Canada was hitting its stride under Communist, not CCF, leadership. *(Quoting Abella:)* ***["]... Everywhere there is the demand for union organizers, everywhere there is the cry "Labour Party," everywhere there is a new attitude, a new public opinion, and everywhere the CCF almost totally ineffective. ["]"[61] So the CCF leader in Ontario wrote to David Lewis in April, 1937.***

The CP, on the other hand, was only too effective from the CCF point of view in its union-organizing work. The most recent commentator on the Communists' role in the building of industrial unionism in Canada calls their contribution "invaluable .. . the large CIO unions, Steel, Auto, Electric, Woodworkers, Mine-Mill, and Textile, were organized at the beginning by Communists and were all, at one time or another in their history, dominated by the party."[17]

The CP's ground-floor position in the new unions was attacked from two sides from the start, CCF unionists opposed the Communists inside their unions as political and ideological rivals. The American Federation of Labour put pressure on the Trades and Labour Congress to expel the Canadian CIO unions from the TLC**,** and this was done in 1939. The CCFers in the CIO unions immediately began successful negotiations with Mosher's All Canadian Congress of Labour and the founding convention of the new Canadian Congress of Labour was held in Toronto in September, 1940. At this convention the CCFers swept the leadership positions and a resolution condemning communism, nazism, and fascism was passed.[18] David Lewis attended the convention as an advisor to the ACCL**.**

Some damage done to the *(Stalinist –Ed.)* Communists was self-inflicted. As the Soviet Union moved from united front against fascism to the Hitler-Stalin pact, through to an all-out effort to win the war after Germany attacked Russia, so too did the CP move. In the unions and the country at large during World War n, the CP often cared more about preventing the CCF from gaining support than it did about anything else. In the Ontario election of 1945 and the federal election the same year, the CP carefully organized its candidates and activities so as to do the greatest possible damage to the CCF. The opening of the Cold War after 1945 opened the CP up fully to general attack. By 1951 the CCL had rid itself of its three major left-wing affiliates -- Mine-Mill, the International Woodworkers of America, and the United Electrical Workers. Communist influence in the Steel and Autoworkers was also under control. Conformity of views on the role of unions finally allowed the CCL and the TLC to merge into the Canadian Labour Congress in 1956. ***A related phenomenon -- the CCF party also moved distinctly right-wards after 1945. The CCF, in convention and in Parliament, was generally accepting of the U.S. position in foreign affairs and criticized the growth of the Russian empire without paying much attention to the growth of the U.S. empire or to its penetration into Canada. Domination of the party by right wingers in and out of the labour movement was easily extended, particularly in Ontario. The momentum of the movement of the 1930s and early 1940s was largely lost.***

On such a basis was the NDP formed in the years following the election of 1958. The precise steps taken in developing the New Party -- the twin resolutions from the CLC Convention of April, 1958, and the CCL Convention of August, 1958, are set out in Stanley Knowles' 1961 publication, The New Party. Knowles presents the NDP as the culmination of all that the CCF and the labour movement had been attempting for over 20 years, "the creation of a broadly based people's political movement, embracing the CCF, the labour movement, farm organizations, professional people and other liberally minded persons interested in basic social reform through our parliamentary system."[19]

Knowles describes the NDP correctly as a social democratic party rather than a socialist movement. Page references to "Socialism, democratic" in the index of Knowles' book turn out in some cases to be references to pages where only the term "social democratic" appears -- an interesting confusion. In Chapter 7, "Programs", Knowles offers the following comments on democratic socialism and its role and definition in the New Party: ["] . . . It is clear that the New Party, in drafting its program, is drawing heavily on the principles of democratic socialism. Let it be remembered that democratic socialism is not a condition but a process. Indeed, it is an endless process, a social direction rather than a static or final goal. The objectives of that process are greater equality, social justice, economic as well as political freedom and dignity for all. It is the objectives that count and these objectives determine the extent to which democratic socialists advocate public ownership or other ways of enlarging the public sector of our economy.... a united effort is (to be) made to forge the kind of political instrument Canada needs to go forward in the nineteen-sixties. ["](20)

And on that basis the NDP did go forward in the 1960s -- sad to say. The party became more and more an electoral machine, which debated nothing fundamentally and became more and more irrelevant to the real problems of Canadian society. The hottest debates in the national NDP were over matters of foreign policy. Socialists in English Canada either did or did not do some election work for the NDP, but spent the majority of their time quiescent or working in the labour, student or peace movements. (*Readers are referred to the various Left and socialist caucuses in operation within the NDP in this period – notably the Trotskyist LSA – see details on this website –Web Ed.)*

The NDP's electoral strategy itself came to look bankrupt. The hopes created by the fairly dramatic increases of the federal election of 1965 and the Ontario election of 1967 were blasted by the Trudeau election of 1968. What was disturbing about the 1968 result was not that NDP seats and votes went down but that the Liberal party and continental capitalism had shown themselves resilient enough to bounce back and co-opt the saleable parts of the NDP programme and wrap them more attractively.

At the same time, George Grant's* Lament for a Nation *and the 1968* Report of the Task Force on Foreign Ownership and the Structure of Canadian Industry** *(which became known as "The Watkins report --Ed.)* ***had shown what was happening to the Canadian economy and political culture. And there was zero response from the NDP, which we had all been regarding as the party of the left. In this situation, it is not surprising that a new formation came together in the NDP.

In the Spring of 1969 a group of socialists who were members of the NDP met in Toronto to write a major paper to be submitted to the NDP Convention in October of that year. *The Waffle Manifesto,* **which was released to the press on September 4, 1969, had a remarkable reception in the party and in the press. Among individual party members, it was received with great enthusiasm -- far surpassing the expectations of those originally responsible for it. The press, editorially, generally criticized it heavily but they treated it more seriously than they had any other document produced by the left in Canada since the** *Regina Manifesto.*

In 1972 the Ontario Waffle was expelled from the NDP. Given the domination of the trade union bureaucracy in the party, neither the attack on the Waffle nor its success should have been surprising. In November, 1971, the Ontario Waffle labour caucus was for the first time a vocal and organized force at the Ontario Federation of Labour convention. The previous month, the Ontario party, under its new leader, Stephen Lewis, had suffered serious losses in a provincial election where great gains were expected, NDP candidates who had been part of the Waffle did significantly better than the party generally, though: none was elected. With a federal election on the horizon, there were excellent tactical reasons for the union and parliamentary leadership of the NDP to move against the Waffle and they did so. The nonunion membership of the NDP in the constituencies was strongly opposed to the purge, but unable to organize itself or to overcome thirty years of CCF/NDP history.

NOTES

1. **One of the points made by critics of the Waffle Manifesto in 1969 was that it used "alien" terms like empire**

and colony to describe the United States and Canada. In reality, these terms have been used and understood by every generation of Canadians except this one.

[2] It has been a late but very good harvest. See Irving Abella, *Nationalism. Communism and Canadian Labour.* Toronto, 1973; Gad Horowitz, *Canadian Labour in Politics,* Toronto, 1968; Charles Lipton, *Trade Unionism in Canada,* Montreal, 1969; Paul Phillips, *No Power Greater.* A Century of Labour in B.C..; Martin Robin, *Tadieal Politics and Canadian Labour.* Toronto, Kingston, 1968; Walter Young, *The Anatomy of a Party: The National CCF. 1932-61.* Toronto, 1969.

[3] Leo Johnson, "The development of class in Canada in the twentieth century," p. 143-4, in G. Teeple (ed.) *Capitalism and the National Ouestion in Canada.* Toronto 1972. Johnson's article is a step in the right direction. For an example of polemics replacing analysis, see Gary Teeple's attack on the CCF-NDP and the Waffle in the same volume "Liberals in a hurry."

[4.] For a full account of the rebellions, see *G.* F. Stanley, *Birth of Western Canada* or J. K. Howard, *Strange Empire.* W. L. Morton, *Manitoba: a history,* has an excellent account of the Red River rebellion and the history of the Metis. *An Unauthorized History of the RCMP.* chaps. 1-2, Caroline and Lome Brown, Toronto, 1973, tells the story of the federal police in the Northwest up to 1900.

[5.] For a stimulating and detailed account of the farmers' movements in the west, see Lome Brown's "The progressive tradition in Saskatchewan," *Our Generation,* vol. 6, No. 4, Spring-June, 1969.

[6.] See John Smart's "The Patrons of Industry in Ontario," unpublished MA thesis, Carleton University, 1969, and Sam Shortt's "Social Change and political crisis in rural Ontario: the Patrons of Industry, 1889-1896" in *Oliver Mowat's Ontario,* D. Swainson (ed.), Toronto, 1972.

[7.] L. Brown, "The progressive tradition . . . " (cited n.5), p.36, has a good account of how the farmers and the urban socialists in Saskatchewan came together in the same organization around the same platform..

8. The story of that experimentation is very well told by Martin Robin, *Radical Politics in Canadian Labour.* Kingston, 1968, to which I am indebted for much of the analysis which follows.

'9. Robin, p. 145-6.

[10] See R. Liversedge, *Recollections of the On to Ottawa Trek* cut. 1973.

"See the early chapters of I. Abella, *Nationalism. Communism and Canadian Labour,* Toronto, 1973.

[12] Abella, p.4.

[13] In Woodsworth's writings one sees the work of one of the earliest Canadian sociologists--shrewd, sensitive and politically conscious. Two of his books, *My Neighbour and Strangers within Our Gates* have recently been republished in paperback by University of Toronto Press in The Social History of Canada series.

[14] L. Brown, "The progressive tradition. . . . "

[15] Young, *op. cit..* p. 76

16. I. Abella *Nationalism, Communism and Canadian Labour* Toronto 1972, p. 24.

[17] Abella, *ibid.,* p. 221-2. [18] Abella, *ibid.,* p. 51.

19. Stanley Knowles, *The New Party,* Toronto: 1961, p. 33.

[20] *Ibid.,* p. 94.

(Canada) Ltd.: The Political Economy of Dependency

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(Part 10) Canadian Culture and the Liberal Ideology

Robin Mathews

(All emphasis by the Web Ed.)

Death and Revolution

They say we are nothing.
They say if you look into faces here
You see motor cars and television sets.
In the eyes, they say, you can see fear,
A fear that crouches,
A fear that fawns on power.
Or they say you see a mixture,
In the eyes, of greed and Jansenism.
This people, they say, wants to possess things.
All this people wants is comfort
And the material lie.
What have Canadians ever done, they say to me,
But sell themselves...

I look into faces here.
I see unnumbered reaches like the prairie sky,
Empty, lonely, longing for the hands that will come.
Or I see eyes full of darkness
Like the black, high moment of night
Just before the beginning of coming day,
Or I see eyes that look beyond the watcher
To the other side.. . .

I see faces
here
Grown beautiful as ravaged trees
Are beautiful—
With the fact of their survival

The terrible beauty of survival.

And I see all around them At their roots Green shoots
Reaching up into the sharp air Like the flames of
revolution.

Some of us are economists, political or other. Some of us know something of Canadian culture and Canadian literature. But almost all of us think or have thought of ourselves as "liberal" with a small "l". In fact, most of us think of ourselves as *liberal* people, people with *liberal ideas.* And we think of the word *liberal* as generally meaning "progressive," "liberationist"; or, at its most mild, we think of the word as meaning at least something tending to fairly strong reformism.

But let me say as an opener that until we destroy the idea of the liberal ideology in Canada, there can be no independence; there can be no genuine growth of the roots and traditions of Canadian society that are presently being rubbed out; and, for those who believe in Socialism as the answer, there can be no genuine Socialism.

That is a troublesome fact. But it is the more significant because it is troublesome, since there are many aspects of the liberal ideology that are or seem appealing, humane, and ennobling. But we are always asked to accept a package -- all of the liberal ideology or none of it. And so we must take it apart the liberal ideology -- as it operates in Canada. I am going to begin with that aspect of culture because it relates to every other aspect and because I am sure there is no more important aspect that needs examination at this time in our history.

The liberal ideology, as we know it in Canada, is very largely a product, first, of British Imperialism and now of U.S. Imperialism. The human product, in human terms, of the liberal ideology is the Robber Baron of free enterprise and the cop-out hippie/yippie of the so-called counter culture. At what appear to be the ends of the spectrum are different manifestations of the liberal anarchist individualist who is essentially self-regarding, essentially anti-community. The liberal ideology supports all manifestations of liberal anarchist individualism, whether that of the rich free enterpriser who manipulates community for his own profit or the so-called *disengaged* rejecter of community who denies it. The liberal ideology teaches, invites, encourages the Canadian to think of himself or herself as responsible to self, to his or her own *personal development.* It teaches the Canadian to scorn history, to reject communal values unless they are the values of a fragmented experimental, a-historical little ephemeral society of contemporaries.

The liberal ideology, in brief, is an ideology which fragments social response, for it asserts the primacy of the individual and the individual's "rights." It creates the wholly self-regarding individual and the despotic social order. The liberal ideology creates the liberal anarchist individual. The liberal anarchist individual takes his own experience as the measure of value; and in a position of authority he shapes a despotism circumscribed by his own limitations. In liberal capitalist democracy, the liberal ideology is the basis of so-called "free enterprise," in which all people are said to have an equal right to compete freely for positions in which they may exploit their fellows. In liberal imperialist democracy the situation is simply taken a step or two farther *(emphasis by the Web Ed.)*

The best example I can use of that kind of condition, as a symbol is to be found in *Huckleberry Finn.* I use a U.S. text consciously, because the liberal ideology as we have it in Canada is very much a superimposition from the U.S.A. If you will look at the writers in Canada who claim to be "North American" writers, you will see most of them create liberal anarchist individualist heroes and claim influence from major U.S. writers who create the same kind of heroes.

At the end of *Huckleberry Finn,* Huck is invited to accept some terms of the community: he is, that is, asked to wash behind his ears and go to church on Sunday. Instead, he chooses to "light out for the territory," the place where the U.S. has dominance but where there is no law, no traditional or historical community demands. There Huck will be free to make his own law-the ideal condition for the free enterpriser and the cop-out hippie/yippie.

As Frederick Jackson Turner, the great U.S. theorist of the Frontier Thesis in U.S. history put it, Huck would be able to take the scalp with the Indians. Canadians who have talked about the Frontier Thesis of development of Canada, by the way, have overlooked something that Frederick Jackson Turner says at the early part of this century about the U.S. Frontier. He writes in one of his works that the U.S., having got to the Pacific coast and having filled up the territorial United States, must now begin thinking in terms of "democracy and empire." Yes. The liberal ideology in Canada is a product of imperialism and supports imperialism *(emphasis by the Web Ed.)*

Frederick Jackson Turner outlines a theory of U.S. expansionism in which the U.S. individual progressively throws off the shackles of the past and tradition and "Europe" and creates the U.S. character in a return (which Turner thinks is Romantic) to savagery and to what he thinks is fundamental human nature-but which is, in fact, the nature of the imperialist.

In Canada we have a strain of little Huck Finns -- the Canadians who have accepted the liberal ideology, who have become alienated from their own community, and who have celebrated one or other manifestation of the liberal anarchist individualist as hero. One thinks immediately of Mordecai Richler who has told us that success is New York, Canada is second-rate, and to care about the Canadian nation and to do something about caring will lead us all into concentration camps. On various fictive levels his heroes are the ultimate liberal anarchist individualists in Canadian literature.

When we turn from the little Canadian Huck Finns, we find a tradition, a truly compelling tradition that rejects the individualist anarchist liberal as hero; and that rejects, therefore, the liberal ideology out of which he comes. What is more, we find that rejection in a good deal of immigrant literature, the literature we are told to expect is full of alienated people who will have naturally gravitated to an individualist and anarchist position because of their feelings of strangeness and rejection.

Among the writers who reject the liberal individualist position and who build novels with specific concern about the choice between the individual and the community, the list is almost endless. But listen to the names of some of them: Susanna Moodie, Sara Jeanette Duncan, Hugh MacLennan, Philip Grove, Dorothy Dumbrill, Louis Hemon, Adele Wiseman, Robertson Davies, John Richardson, W. O. Mitchell, Ralph Connor, even, I believe, Margaret Laurence, as well as Nellie McClung and Laura Goodman Salverson to name two more Prairie writers.

There has been a major strain in Canadian literature and in Canadian society that rejects the product of the liberal ideology. Why? Because many Canadians have known that the liberal ideology means the destruction of Canada. The empire expands when its individual exploiters go out into the less powerful world and establish personal wealth and the power of their State. The colony survives and moves to independence when it resists the exploiter, unites as a community, lives for the good of all, and develops the only kind of struggle that can beat off the power of the imperialists – a unified struggle that by its very definition rejects the individualist anarchist liberal hero *(emphasis by the Web Ed.)* Nineteenth-century Canadian conservatism had that quality to it, however much nineteenth-century conservatism may offend some Canadians now. Twentieth-century socialism and semi-left movements have tried to have that quality, but they have often failed, partly because of coercion, coercion from the liberal ideologists.

If the left weren't coerced by the liberal ideology, it would take stands from a humane and socialist point of view on more matters which the Canadian working people care about. The left would condemn a manifestation like Rochdale College in Toronto, for instance. If there have indeed been a dozen or eighteen suicides in the last three years in Rochdale, then there is a great evil dwelling there. Individualist anarchism taken to extremes, of course, creates an inhumane alienation which is soul- and body-destroying. Rochdale, the residents of which accept the present liberal anarchist ideas about drugs, is a running sore of liberal capitalist democracy. It has to have a high number of suicides.

Socialists who are truly serious about the good of the whole society and the possibility of men and women making *right* choices instead of choices they are pressed into by liberal capitalism, would have a position on drugs, for instance, that would leave the other political groups fifty years behind.

By the same token, Canadians who are seriously progressive would support women's liberation strongly, but would throw out most of the U.S. influence and U.S. women messing around in Canadian women's liberation. Liberation in the U.S. -- liberation of anybody or anything -- is the liberation of the individual within a society that possesses world predominance in power. Liberation in the U.S. involves the individual getting loose from a cruel imperial monolith, getting loose from it from within. Moreover, in the U.S.A., as we know from the Huck Finn syndrome, the most realized human being is the one most able to

possess dictatorial powers in his or her own sphere. That is what the liberal ideology leads to, and in U.S. fiction that is the place of conflict over and over: the boy-man hero who must dominate or run away. **Liberation in a dependency like Canada has, in contrast, got to be liberation with the people for the people and in a way that releases in the community the strength to survive and to throw off the imperial master while changing the structures that support the imperial predominance** *(emphasis by the Web Ed.)*

Everywhere 1 go in Canada to speak, I am told by Canadian women (who usually take me aside to tell me) that the women's movement is twisted by U.S. women, that the libraries are full of U.S. women's literature to the exclusion of English and even Canadian materials. The first supposedly Canadian women's liberation book, called *Women Unite,* put out by a group that calls itself the Canadian Women's Educational Press, possesses an article on Susanna Moodie, calling her a racist. It is the worst article ever written about Susanna Moodie, who fought with the anti-slavery movement in England decades before the U.S. moved to emancipate the slaves -- which of course they still haven't done. Moreover, Susanna Moodie ghost-wrote a book for a young black woman to show the horrors of slavery.

The writers of the article in *Women Unite* treat her work from the point of view of the U.S. idea of the hero, which Moodie doesn't conform to and so for them she becomes a racist. She becomes repellent to them because she isn't an individualist anarchist liberal. She believes in responsibility to values, to ideas of the past and future, and so the writers reject her. When I looked into that publication by the Canadian Women's Educational Press, I discovered the article was written by two U.S. citizens who had been in Canada about two years.

When I went to Manitoba for a huge week-long festival of ideas a year or so ago, the person they had brought in at highest cost was a U.S. women's liberationist from New York. I heard the beginning of her speech in which she said that she didn't believe in any of "the shit about borders," echoing exactly the beliefs of the U.S. multi-national corporation. And she told the assembly just as I was leaving that "We might get two or three people into Congress, but that won't do very much good . . . ." I was convinced that it wouldn't do very much good for the women of Manitoba, who had been dealt the insult by the organizers of being given to understand that there was no Canadian woman who would be as relevant to them as a U.S. feminist from New York.

The colonization of Canadian thought and social/political movements has a direct bearing on the political economy of culture in this country. We must not confuse colonization with leadership. The people I have mentioned are not providing a necessary leadership, even if we believed ourselves so inferior that we needed to import U.S. leaders. No. The people I've been talking about superimpose the values of an alien imperialist country, and by doing so support the continued colonization of Canada. Many Canadians don't want to talk about the continuing colonization caused by U.S. immigrants because the Canadians are afraid they will be accused of not being *liberal.* Or else they are so colonized they believe that Canadian and U.S. intellectual history are the same. Or they are such fawning colonial sycophants they believe that everything that has happened in Canada is second-rate and the faster we accept the U.S. definition of reality, the better it will be for us.

But it is the liberal ideology which prepares them for all those positions. It insists that the ideas of mobility put forward by the imperial centre are "progressive." To resist those ideas is "reactionary." It insists that all history is going in one direction, led by the imperial centre. Inasmuch as the colonial country is like the imperial country, it is "advanced." Inasmuch as it is different, it is "underdeveloped." It insists that the ideas created for and propagated from the imperial centre are ideas of universal interest and importance. Inasmuch as the colonial country permits those ideas to be superimposed, and permits them to be superimposed by immigrants from the imperial country, the colonial country is "liberal." Inasmuch as it insists upon the integrity of its own ideas and people, it is, of course, "chauvinist," "narrowly nationalistic," "navel-gazing," and so on.

When did the liberal ideology arise, you might ask? When Britain was becoming the most powerful imperialist nation, various of her theorists began arguing for free trade which is the liberal ideology at work in Commerce, and others of her theorists began even to develop a philosophy based on the right of individualist exploitation. George Grant calls the philosophers in question the philosophers of greed. Duncan Campbell Scott calls the men in commerce who practiced the liberal ideology of individualist exploitation the white men-servants of greed.

Britain supported open ports and open minds. She could ship in her trade goods through the open ports and her ideas through what is now called "the free flow of ideas" but which is, in effect, the free flow of imperial propaganda. When Britain lost her empire, she lost her liberal ideology. The West Indians, for instance, who were taught for a few generations to think of Britain as home, where all free men could go, began to get a little money and to go *home*. They got something of a shock at their "welcome."

For a century the cry was that an Englishman can go anywhere in the world. Oxford and Cambridge poured out colonial administrators and sent them abroad to teach the British way of life. Suddenly all that changed. But their imperial propaganda worked for a long time. I am old enough to have observed Englishmen with B.A. degrees being hired before Canadians with M.A. degrees because an Englishman was by definition superior. Not only did we get British teapots and afghans, and engines and guns. We got British ideas and all the propaganda that supports empire. The propaganda that supports empire made the colonials want British teapots and afghans and engines and guns instead of wanting to make their own for themselves. Imperial propaganda serves to make colonials want to stay colonials.

The U.S. empire is not new or recent, alas. It began in 1776. Presently the U.S.A. operates the same liberal ideology in support of its empire that the British used. In 1886, for instance, nineteen years after Confederation, Henry George, an influential U.S. political economist wrote in Protection and Free Trade that "The spirit of free trade is that of fraternity and peace." On the same page, however, he tells his U.S. audience that "Free trade would give us again mastery of the ocean which protection has deprived us of. . . . " And then on the next page, speaking of free trade which he has said is the spirit of "fraternity and peace," he writes:

["] We may annex Canada to all intents and purposes whenever we throw down the tariff wall we have built around ourselves. We need not ask for reciprocity; if we abolish our custom houses and call off our baggage searchers and Bible confiscators, Canada would not and could not maintain hers. This would make the two countries practically one. Whether the Canadians chose to maintain a separate Parliament and pay a British lordling for keeping up a mock court at Rideau Hall, need not in the slightest concern us. The intimate relations that would come of unrestricted commerce would soon obliterate the boundary line. . . .["]

That argument for the liberal ideology goes on. If we are not bringing in John Connally to make it to the Empire Club, fittingly enough, we are bringing in Harry Johnson, the continental economist, to make it at some university. And if those two men are busy, there is always a member of the Liberal cabinet to make the argument for them.

But of course it is not an argument for free trade at all, it is an apology for imperial control. It isn't an argument for the equal sharing of the continent in balanced production and competition. It is an argument for the right of U.S. branch plants to organize and direct Canadian production to suit the needs of the U.S.A. It is not an even, however undesirable, argument for half the unions on the continent to be U.S.-run from U.S. offices with U.S. priorities, and the other half to be Canadian, run from Canadian offices with Canadian priorities. It means that the Canadian worker will be bent to U.S. needs and sacrificed whenever that is considered desirable by U.S. people. **What is true for imperial propaganda about free trade is also true for culture. The ideas and arts of the colony are not even taken into the centre to modify its existence; the ideas and the arts of the imperium are conveyed to the colony to be set up as the criterion of excellence.**

Cultural invasion is integral with and indistinguishable from economic invasion. That is a simple fact. It is economically profitable to take over Canadian publishing, film-making, advertising, magazine production, the creation and distribution of educational aids, Canadian hockey, Canadian movie houses. They are profitable activities, and so by taking them over for economic gain they are also transformed culturally. Take one example from the list: for decades the U.S.-owned monopoly on Canadian movie houses has done everything in its power to prevent Canadian films from being shown. The reasons are obvious at every level of analysis. Maintaining strict control of Canadian movie houses assures profitability, cultural hegemony, and the continuation of imperial power. In a 1928 editorial, the *New York Times* boasted that the sun never sets on the U.S. movie. Before that, remember, we were told that the sun never sets on the British Empire. The cultural hegemony and the continuation of imperial power are supported by so-called liberals who insist that to interfere in the monopoly domination of Canadian expression by aliens would be to limit free expression, to deny Canadians the right to free choice, to suppress individual liberty and *the free flow of ideas.* The imperialists and their docile disciples always claim that interference with the propaganda system of empire is an interference with the free flow of ideas. *(Emphasis by the author)*

It is not just a matter of profit, obviously, the takeover of cultural and non-cultural institutions. It is a question of the values that will be purveyed, the purposes for which the institutions will be operated. It is a question of the direction that the energies of the Canadian people will take: to serve the profit of alien owners, or to serve the ideals of community among and for Canadians. I suppose if Walter Gordon or Eddie Goodman or Mel Hurtig were to own a national chain of movie houses, Canadian films might find they had a real friend. But the nationalist capitalists are rare, as anyone must know who reads the financial papers in this country. Besides, capitalism ***is*** acting artificially when it is not totally devoted to profit-making. The fundamental intention of capitalism is to maximize profits and to accumulate the power that will make the maximization of profit possible and stable. And so for anyone who has genuine regard for the whole community of Canadians, there is no doubt that capitalism has to go. **Imperialism is a form of global capitalism, put simply, and so the struggle against the U.S. empire is a struggle against capitalist injustice. The struggle against capitalism in Canada has to be, moreover, a struggle against U.S. imperialism, since the U.S. owns and controls so much of the Canadian economy and culture. And, finally, it has to be a struggle against the liberal ideology which is the philosophical basis -- the apologetics -- for both capitalism and imperialism in our time.**

The liberal ideology makes a way for the imperialist power. But you may fairly ask if the liberal ideology does not call for free and open discussion out of which the best ideas will surface and prevail? Doesn't the liberal ideology call for the absolute sanctity of the individual? Is it not the liberal ideology that has created Human Rights Commissions and the paraphernalia of individual freedom? The answer is a modified "Yes", only a modified "Yes."

We must take the idea of individual freedom and the liberal ideology very carefully in hand if we are not going to fall back into the phony myths about them in Canada. Apart from the occasions (the Winnipeg *[General]* Strike *[c.1935]* is a good example) when individual freedom and human rights have been conspired against by the state, we must examine liberal ideas as they are applied to a "boundaryless ideal." Canada is unique. It is not only unique in its identity and intellectual history, but it is uniquely on the North American continent with the most powerful imperial nation in history along its nearly four thousand miles of border. Unique, too, is the fact that two hundred million U.S. people speak the same language as sixteen millions of the Canadians. Canada is in the unique position of having that imperial nation own or control more of its economy than is the case with any other technologically advanced country in the world. Put bluntly, two hundred million people could supply all the managers, all the teachers, all the artists, all the policy-makers for the sixteen million people without noticing a significant strain. **If we accept the liberal ideology of empires that ideas and people should move without obstruction, then what are the rights of the Canadian people lying**

along a border with two hundred million people of the most powerful imperial nation in history?

What are the rights of non-Canadians who move into Canada, take jobs, especially culturally important ones, when we know as a simple, unique fact that the U.S. could fill all the culturally sensitive jobs in Canada and feel no strain in its workforce? In fact, it would have a personnel safety valve which empires always want -- to ship out qualified personnel when there's a glut at home and to suck them back when there's a need at home. In fact all the talk about U.S. generosity to Canadian talent is so much hogwash. The U.S. has always measured very carefully what it would take -- and has only taken what its economy needed. It has never openly embraced incoming Canadians if there was a chance U.S. citizens would have their jobs threatened as a result. At this very moment U.S. laws are more stringent than Canadian laws on the flow of talented personnel between the countries. Even if the U.S. was generous, genuinely generous, sixteen million people could not throw up the personnel to fill all the culturally sensitive jobs in a country of two hundred million. **Canada is never a threat to the U.S. in those ways, and the U.S. knows it. The U.S. is always a threat to Canada in those ways, and Canadian governments try never to admit it, quite apart from the role U.S. immigrants play as cultural imperialists.**

Step back a little more and ask what is the role of liberal ideology in ideas and people for an imperial nation. The empire, basing its argument upon the liberal ideology, asserts that each individual ought to have the right to move freely (as ought ideas) in the world, without obstruction. It is upon that basis that many U.S. professors in Canada ask not to be considered as "American professors" but just as "human beings." The liberal ideology, too, asks them to be considered simply as "human beings." If history is non-existent and community secondary, then a U.S. professor is not a culturally conditioned entity; he is "just a human being."

The result of such a policy has many effects. There is a subtle communication of the values of the imperial centre when it takes over the cultural institutions as a part of economic takeover. Moreover, personnel effect a considerable influence. If we accept Marshall McLuhan's statement that the medium is the message, and I think we can without a lot of discussion, then the teacher, the arts administrator, the artist, the branch-plant manager and communicating media will convey, consciously and unconsciously, the message of empire. Even the radical dissident from U.S. life communicates radical dissidence as it is understood in liberal anarchist individualist U.S. society. The U.S. immigrant is always, in some blind portion of his or her being, a cultural imperialist.

When we began our work on the de-Canadianization of the universities, I met a young man who had been a book representative for a U.S. firm. At a convention in New York City he asked two questions. The first he asked was why that U.S. firm didn't publish more Canadian material. The answer was that if the material wouldn't sell in the U.S. the firm wasn't interested in it. Secondly, he asked if the firm wasn't a little uneasy about all the U.S. material they were pumping into Canadian universities. The answer was that they were not uneasy because there were enough U.S. professors working in Canadian universities to assure the firm that they could sell all the U.S. material they wanted to get into Canadian universities. Half of the U.S. professors referred to probably didn't know even what Canadian material existed and didn't think for a moment that they were playing the role of cultural imperialists by ordering books as if they were in the U.S.A.

More subtly, imperial powers know that the more they can argue for individual and so-called "human rights," for the falseness of boundaries, for the horrors of nationalism, the greater mobility there will be for people in the world. But what people? Who will be the most mobile? We know the answer, though we seldom think of it. The most highly organized educational systems are in the imperial centres. The richest and therefore the most mobile populations are in the imperial centres. For the U.S. to argue for individual and human rights and for the free

flow of talent and ideas is for the U.S. to argue for the spread of its own trained population around the world and for the unobstructed predominance of U.S. ideas, however good or bad, "neutral" or "imperialist" they may be. Knowing that, all the African nations, for instance, take foreign scholars for two, three, and four year terms of appointment, on the clear understanding that when Africans are ready, the foreigners will be phased out and the major cultural positions will return to Africans. Only in Canada do we take hordes of representatives from the Imperial centre and allow them lifelong jobs and power over the Canadian educational and cultural institutions.

The liberal ideology in ideas goes deeper than that. To explain how, I am going to quote from an article by Ron Lambert in the Fall 1972 issue of *This Magazine is About Schools.* **He writes:**

["] The systematic devaluing of the Canadian fact is to be found in the ideology of liberalism. Modern liberalism comprises a set of values requiring the creation of conditions favouring the free access of American power, commerce, definitions, and assumptions throughout the world. While belief in the free and open marketplace of commodities has dissipated, liberals continue to cling to a belief in an open marketplace of images and ideas unconstrained by economic resources, technological superiority, organizational factors, social status and interpersonal relations. ***The effect of the liberal ideology is to provide the psychological underpinning which renders colonial people susceptible to the highly efficient cultural delivery systems of the American empire. Specifically, liberals regard with suspicion boundaries of any kind. . . . Nationalism is illiberal, too, when it signifies a high valuation by a people of their OWN experiences, and a determination to comprehend them.****["]*

Ron Lambert points out in his article, too, that the Canadians who were asking for a fair representation of Canadian materials at Waterloo University were asked to consider their proposals in relation to the rise of the Nazis in the 1930s! That is a familiar suggestion. Since the liberal ideology is in fact an instrument of U.S. imperialism, to resist it is to face every kind of coercion and slander.

The reaction to resistance against the U.S. empire on the cultural level -- and especially where resistance seems to offend the apparently sacred idea of the liberal ideology -- is furious on the part of the imperialists and their docile Canadian disciples. In October of 1970 at a Carleton University Teach-In, the head of the Canadian Association of University Teachers Gordon Kaplan, who had taken citizenship a few months before declared that the concern for Canadianization in the universities "smacks of fascism" and he pointed out that French laws dealing with the question of French faculty in France were passed during the Nazi occupation.

In a brief to the Ontario Select Committee on Economic and Cultural Nationalism presented recently by the leaders of ten, mostly U.S., advertising agencies, the desire to preserve Canadian advertising for Canadian agencies was attacked. The U.S. advertisers wrote:

> ["] Some advertisers who wish to appoint a specific agency will sometimes not do so for fear of unfavourable publicity that will accrue because the agency is not Canadian-owned. This smacks of economic and political terrorism.["]

The response to Canadians who desire the reasonable flowering of their own culture and economy, when that flowering impinges upon U.S. expansionism, is a strident defence of the liberal ideology in terms that describe the Canadians as fascists and terrorists.

Canadian literature parallels and comments upon that situation in Canadian life. Over and over again Canadian writers have rejected the liberal anarchist hero who is the creature of the liberal ideology. Canadian writers have created, instead, in a major tradi-

tional theme, the hero in community *(emphasis by the Web Ed.)* And so Canadian literature is sprinkled with the hero as preacher, teacher, community builder, or one whose battle between individualism and community ends with an affirmation of community. For decades now we have, however, had our critics casting scorn upon those writers, for the critics have been seduced into the U.S. liberal anarchist and individualist pose. Why the writers should return again and again to a traditional theme related to Canadian survival, while the critics attack them and support the ideology of the imperial power might provide an interesting study for someone interested in the sociology of colonialism. For now, I simply want to look at a couple of examples of Canadian writers in action.

In *Barometer Rising* by Hugh MacLennan there is a character called Colonel Wain. His family, originally British, has been five generations in Canada. But he still longs, like a good colonial, to be in England. And he says that everything in *this* damn country is second rate. Colonel Wain is a kind of WASP, military Mordecai Richler. The resemblances are numerous and surprising. The generation after Colonel Wain is determined to have its self-respect, and MacLennan releases it into a possible future. Colonel Wain, however, is discovered near the close of the novel in a blown-out house, in the snow, naked, with his mistress, dead.

We have been faced with the systematic devaluation of the Canadian fact, as Ron Lambert says, but we have had in our writers an insistence upon the legitimacy of this place, a declaration of the significance of Canadian ideas and tensions. In Sara Jeanette Duncan's *The Imperialist,* (1906), the young hero is a man who believes in the myth of British superiority and the idea of Imperial Unity. He discovers that Britain and the British want to use Canada and not be bothered by its needs. He discovers that the lure of the U.S. dollar is stronger for many business people than the desire to build a good community. Ironically, an English immigrant steals his girl and climbs economically doing it. After a political candidacy which teaches him the game of politics in Canada and a sharp insight into the historical forces at work in the major power struggles in this country, he is almost broken, and he considers going to the United States. But he turns back to Canada, almost by an accident; he is chastened; he is wiser; he is a little cowed. But he has learned lessons in survival and lessons about struggle. And he doesn't give up or light out for the territory.

We have been faced as Canadians with the systematic devaluing of the Canadian fact as a result of the liberal ideology. Many of our critics have invited us to see the conservative nineteenth century as something we should be ashamed of. We have been asked by leading critics, for instance, to have contempt for Susanna Moodie because she came to Canada from an intelligent and well-educated class. She had a sense of community responsibility, however conservative. The U.S. writers I wrote of earlier are only the worst writers about Susanna Moodie. Northrop Frye and Doug Jones are almost as bad. They reject Moodie, and in their rush to accept U.S. individualist anarchist terms of the hero, they deny the Canadian past and are ashamed of it.

Susanna Moodie's book, *Roughing It In The Bush,* is a great work. It is the first in a tradition of immigrant works that include many of our fine novels. It contains some values we reject or are amused at -- but what nineteenth-century work doesn't? Some of the best insights and values in Canadian life are in that book, the story of a woman who braved the bush, often alone with small children, finally working in the fields side by side with her husband, facing fire and sickness alone, and coming, with the feelings of ambiguity that only the bush people can know, to love the land and to call herself Canadian. Of course, Susanna Moodie presents what has come to be known as a WASP view of settling. But you can read the Ukrainian, Jewish, Hungarian, Icelandic, and Belgian views too. They are there, novels in the tradition, and they all relate importantly -- in their rejection of the liberal anarchist hero or their acceptance of responsible community -- to Moodie's work.

What we must do if we are to read our literature right is to come to terms with our history. We must recognize the struggle for community, our colonial condition that has

lasted too long, the conservative values that shaped much of our beginnings -- for good and ill. *But we mustn't be ashamed of those beginnings, of that history. We must sort the good from the bad, learn what we can build on, and why we must reject some aspects as we grow into new forms, new concepts of love and justice.* We must come to know what is the greatness of Susanna Moodie, of Philip Grove, of Hugh MacLennan, of Adele Wiseman and others, not to mention any of the poets. But we will not do those things as long as we permit the liberal ideology to rule our thinking.

(Not 'ashamed of those beginnings' certainly, but not afraid to be critical –non-sentimental – either, from a the Labor-socialist point of view -- Web Ed.)

Margaret Atwood has allowed the liberal ideology to rule her thinking in her book, *Survival.* As a result she cannot help herself from putting down Canadian literature at every turn. The liberal critic is finally the critic who says: "Well, we better read it because it is ours." Because of the liberal ideology, the concept of the hero as liberal individual anarchist, Atwood must dismiss and reject much of Canadian literature: its communal sense, its insistence on history, its admission that community shapes character as well as vice versa, its self-sacrificing hero. Because the liberal critic rejects those things, he or she is forced to say: "Well, we better read it because it is ours." But those who find out what the literature is about, what its genuine struggle is, what its deepest tensions are, come to see that Canadian literature is a great literature with great individual works. They say, "You'd better read Canadian literature or miss the most important literature you can ever lay your hands on."

(On the contrary, Atwood's literary criticism of Canadian writers and poets is as robust and profound as it must be if Canadian readers can truly appreciate our (bi-) national history and culture, as unique as it is, from that of the overwhelming American colossus – Web Ed.)

The critics with a liberal ideology in Canadian literature see Canadians as losers without identity, the perpetual victims of someone's exploitation. They don't see the hard stoicism of Canadian characters in fiction. They don't see the terrible strength that is born in the struggle to survive and to make possible the survival of community. They don't see the heroism of a certain resignation that is the resignation into responsibility and service, for those are the qualities of fools -- when you accept the hero as individual anarchist liberal. Margaret Atwood is trapped into that position. Like the colonial critics, she describes only half of Canadian life and literature.

Of characters in two films she says: "They are born losers. . . it's pure Canadian from sea to sea." (p.34). A little later she says, "Could it be that Canadians have a will to lose which is as strong and pervasive as the American's will to win?" (p.35) And she goes on that, "There is a sense in Canadian literature that the true and only season here is winter. . . . " (p.49) "Canadian writers as whole" she says, "do not trust nature . . . ." (p.49) She tells us that "The Canadian experience for immigrants seems programmed for failure." (p. 158) She says "The Canadian way of death is death by accident." (p. 166).

And so on. All that is not only untrue, it is criticism that is peculiarly colonial-minded in its perception of Canadian experience. Margaret Atwood leaves out of consideration too many major writers, most of whom make her theories fall into tatters. She doesn't write in any serious way of Richardson, Mair, Haliburton, Duncan, Grove, MacLennan, Hemon, Ringuet, D. C. Scott, F. R. Scott, Dorothy Livesay, Anne Marriott, W. O. Mitchell, Robertson Davies, Isabella Valency Crawford, Abraham Klein, and others. Those major writers make statements which would make much of her book unable to stand up.

Moreover, Margaret Atwood includes and analyses writers who can be seen as deeply inflicted with a sense of colonial helplessness and sterility or who have disappeared almost completely into a kind of liberal individual anarchist retreat and unease. She includes from that group George Grant, Northrop Frye, Douglas LePan, Doug Jones, Eli Mandel, Dennis Lee, George Bowering, Anne Hebert, St. Denys Garneau, Bill Bissett, and others. Many of those people are said to be torn, and tormented victims. Grant wrote *Lament for a Nation.* Douglas

LePan wrote "A Country Without A Mythology." George Bowering says he is a "Canadian surrounded by strangers," a fact that he learned from his U.S. professor! Northrop Frye says we want to get our writers into the position of the "individual separated in standards and attitudes from the community." Frye is saying that we want to separate the writer from the people so that he can alienate and write individualist anarchist stuff. George Bowering calls himself "a failed American." The implication is that a failed American makes a successful Canadian. Alas, alas, that is very much the overriding sense of Margaret Atwood's *Survival.*

We can see where the feeling comes from. In the beginning was the liberal ideology, instrument of empires. Those empires sucked the blood of Canada for more than a hundred years, saying always that excellence is elsewhere, know-how must be brought in, and no one must impede the imperialist right to use the country however and whenever they want. Canadians who attempt to stop the oppression and abuse of their country, Canadians who wish to end the contempt and the scorn that is heaped upon Canada and its people must be, they say, racists, fascists, chauvinists, xenophobes, anti-semites.

In the beginning was the liberal ideology, instrument of imperialism. It helped condition young Canadians to the fact that the brand names of most of the products around them would be foreign, that the books they would read would be foreign, that the artists they would enjoy would be foreign, that the films they would see would be foreign. If there are only three Canadian magazines on a magazine rack in the nearby drug store carrying three hundred magazines, we are invited by the liberal ideologists to think that we are witnessing the free flow of ideas.

Some of those evils are changing now, and only just in time. But we still are coerced by the liberal ideology. We still think we have to put Mordecai Richler on every platform in the country. We still are afraid to say that U.S. influence is often not leadership in progress but imperialist destruction of Canadian life and values, whether in union organization, education, women's liberation, or so-called "radical" politics. **We are afraid to reject destructive domination and forge our own struggle. But we are beginning. And when we settle the question of the liberal ideology for once and for all, when we realize we can have love, justice, self-respect, self-determination, and a liberated people without the imperialist handbook of liberal domination, then the progressive forces will begin to win. Then there will be a genuine movement of the Canadian people, for they will have found their cultural roots, the legitimacy of their deepest feelings, and they will be able to express themselves on any issue of significance to their lives and the lives of their children without being cursed as reactionary, parochial, second-rate, and irrelevant.**

The liberation of the Canadian people is not the discovering of an alien way of seeing reality. It is the legitimizing of the best of Canadian thought and action. It is a cultural revelation which will engender a cultural revolution, a struggle not separate from the economic struggle but one with it. *(However that 'legitimizing" of the best of Canadian thought and action is only possible with critical examination, necessary as a first step toward resolution, i.e., winning even partially real Canadian, Québécois and First Nations' sovereignty – Web Ed.)*

Margaret Atwood's book is an attempt to effect that cultural revelation, but it fails in its task. And that is to be expected, for history hasn't placed us quite yet where we can communicate the joy and tragedy of our imaginative experience and see through to the point at which we will have a population fully participating as makers of the society in its life and direction. **But the day is not far off. On that day the war will be over, the war with the liberal ideology and all it implies. The rest will be a mopping-up operation. For when the people can tell itself that it knows what its experience truly is, then the people can be master of its own soul. When we are individually and collectively masters of our own souls, we will find we need only take a short step to becoming masters in our own house.**

(Note by the Web Ed.: Mathew's heartfelt nationalist 'cri de coeur,' while eloquent and

passionate, is fundamentally idealist, and beyond the level of comprehension of the mass of Canadian working people one the one hand, and on the other hand misconstrues author and poet Atwood's keen awareness of of the nationalist issues as reflected in Canadian literature, for better or worse – is not resistance borne of struggle against reality – as opposed to emotion?)

(No notes)

(Canada) Ltd.: The Political Economy of Dependency
Edited by Robert M. Laxer, 1973

(Part 11) **Quebec in the Canadian Federal State**
Jim Laxer

(Emphasis by the Web Ed.)

The logic of Confederation was to establish an enlarged market within which the Canadian bourgeoisie could flourish. For the bourgeoisie to carry out its commercial plans, it was necessary to create a more formidable state system in British North America that could float loans in Britain, for the construction of a transcontinental railway system.

But to carry out a fundamental rearrangement of the state structure in British North America, the bourgeoisie and its political allies had to determine a place for French Canada within the new state system.

At the time of Confederation, French Canadians were overwhelmingly small farmers, although a relatively small class of French Canadian urban labourers had come into existence. **Few French Canadians were members of the upper strata of the Canadian bourgeoisie. Instead the French Canadian elites were tied in a junior partnership to the predominant Anglo-Canadian bourgeoisie.** Politicians like George Etienne Cartier, the leader of the French Canadian *bleu,* or Conservative party which was at that time the largest single bloc in Canadian politics, formed a link between the Anglo-Canadian bourgeoisie and the Roman Catholic hierarchy in Quebec and the independent professionals; the lawyers, notaries, doctors, and journalists who dominated Quebec politics.

As a colonial people French Canadians had lived in the legislative union of the province of Canada between 1841 and 1867 that had tied Upper and Lower Canada together. In the generation following the defeat of the Rebellion of 1837, French Canadian politics had been dominated by politicians who, like Lafontaine and Cartier, were willing to be junior partners to the English. This was so especially after the defeat of the European Revolutions of 1848 when the church moved in a sharply conservative direction. **The period of Confederation was the high point of the power of the ultramontane wing of the church which attempted to establish a theocracy in Quebec. The Church set itself up as the guarantor of French Canadian survival. But it systematically sided with the English masters against all popular movements, including popular nationalist movements in French Canada.**

The hierarchy of the church had been mortally afraid that the Rebellions of 1837 would mean that the ideas of the accursed French and American revolutions would follow them to Quebec. Following the rebellion, the church systematically fought whatever elements of rouge liberalism still existed in Quebec. By the 1860s, they had managed to stamp out the remnants of the Papineau tradition almost entirely.

The legislative union of I841 had been designed as a vehicle for the assimilation of French Canada. It had failed in this purpose for a number of reasons. French Canadian numerical superiority in 1841 had resulted in the establishment of a legislative union between Upper and Lower Canada in which the two sections of the province had equal representation in the assembly. Designed as a way of keeping the French Canadian majority in check, this system backfired in the 1850s when the English population of what is now Ontario moved ahead of the French population of what is now Quebec. **From the mid 1850s on, one of the demands of politicians in Canada West was for representation by population in the assembly as a means of submerging the French of Canada East. Naturally, even colonial politicians like Cartier were unwilling to go along with a simple legislative union in which French Canadians would have no guarantees of their national rights.**

In the representation-by-population fight of George Brown, we can see an early version of the One-Canada position, which holds that in Canada democracy is a matter of individual rights and does not involve rights for the national collectivities that make up Canada.

But because Quebec was central to the design of commercial empire of the Anglo-Canadian bourgeoisie, it could not simply be subjected to the assimilationist programme of George Brown.

Instead the program of the Great Coalition of 1864 was evolved to settle the relationship between French Canadians and the rest of British North America. The Great Coalition, which included both the English and French Conservatives led by Macdonald and Cartier and the Reformers led by George Brown, excluded only the liberal *rouges* of French Canada.

The program of the Great Coalition which was substantially enacted in the British North America Act provided for the following position for French Canada within the Canadian federal state.

The French language was to be recognized as official in the legislature and courts of the province of Quebec and in the parliament and courts of the federal government. Quebec was to retain the French civil code instead of operating under English common law as did the other provinces. Above all, French Canadians got federalism, the recreation of the province of Quebec, a province in which they were to form a very large majority of the population. At the time of Confederation it was expected that the provinces were to be unimportant creations. Macdonald called them mere "local" governments. ***All the real financial powers and authority over critical matters like railways lay in the hands of the federal government. Furthermore, the BNA*** *(British North America)* ***Act which Dorion, a leader of the Quebec rouges, called the most illiberal constitution in the world,[3] gave an absolute power to the federal government to disallow any piece of provincial legislation within one year of its passage.*** Canada's financial capitalists were determined not to allow the provinces, seen as colonies modeled after the view of colonies held by the British imperial government, to interfere with the grand design of their national policy.

And so at the time of Confederation, the federal arena was regarded as the critical one for French Canadians in terms of their national survival. Cartier pledged to French Canadians that as long as there was a solid bloc of French Canadian MPs (*MEMBERS OF –FEDERAL-- PARLIAMENT)* **from Quebec no federal government would ever dare to take actions which fundamentally violated the collective views of French Canadians on critical national matters**.[4] Thus, according to the architects of Confederation, French Canadians were to retain their position in Canada through the workings of the federal system and through their power in both national parties, the Conservatives and Liberals at Ottawa.

The first phase of post-Confederation French Canadian nationalism which spans the period from 1867 to 1917 can be seen as the response of French Canadian society to the workings of the Confederation system. French Canadian nationalism then developed around issues primarily in federal politics: the issue of French Canadian minority educational rights outside Quebec, the matter of whether the Canadian west was to be English speaking or bilingual and the question of Canadian participation in the defence of the British empire.

Within the logic of the National Policy, the place of French Canadians in the Canadian west was inexorably determined between 1869 and the mid-1890's. The Riel Rebellion of 1869-70 upset the plans of the Macdonald government for a smooth acquisition of the territories of the Hudson Bay Company. Because there was no railway between central Canada and the prairies at the time, Riel was able to force the federal government to make concessions to the already-existing population of the west, made up of Indians, French and English-speaking Métis, and a small number of settlers from Ontario and the British Isles. **The federal government was forced by the rebellion to create the province of Manitoba in 1870 and to establish for it French language and educational rights as existed for the province of Quebec. But the steady flow of Ontario immigrants to Manitoba between 1870 and 1890 undid the original status of Manitoba as a bilingual province.** By 1890, with anti-French racial feeling running high in English Canada (fomented by the Orange lodge, the Protestant Protective Association, the Imperial Federation League and the rhetoric of Dalton McCarthy), the government of Manitoba abolished French as an

official language of the province and removed tax support from the separate Catholic and French language school system. The issue of Manitoba schools was to break the Conservative party in the 1890s and to make way for the election of Laurier in 1896.

The second Riel rebellion of 1885 took place in circumstances less auspicious for the Métis than did the first. The CPR had largely been built by then and the rebellion provided an opportunity for the railway to demonstrate its utility to the dominion. It moved troops promptly to the spot and in return was awarded a further government subsidy. French Canadians who looked on the Métis as racial inferiors did not object to the sending of troops to crush Riel. In fact, French Canadians signed up as part of the Canadian militia that crushed the rebellion. **It was the aftermath of the rebellion and the hanging of Riel that sparked the building of a massive nationalist response in French Canada. When it became clear that the Macdonald government would treat the French-speaking leaders of the rebellion much more harshly than the English-speaking leaders, French Canada came to see Riel as a native son and saw his defeat as the crushing of French Canada in the west. Riel's hanging led to a demonstration of 50,000 French Canadians at the Champ de Mars in Montreal.[5] The revolutionary symbols, the tricolor and the Marseillaise appeared briefly in Quebec for the first time since 1837.** The church hierarchy was filled with fear at the reappearance of popular nationalism. But whatever militancy there was dissipated into the vacuous politics of Honoré Mercier and his provincial *Parti National,* which spent its time serving the interests of the church and involving itself in railway scandals.[6]

By the mid 1890s it was clear that western Canada was to be a preserve of English Canadian national expansion. The idea that the federal government would be the protector of minority educational rights died with the Manitoba Schools Question in the 1890s.

Laurier federalism has remained dominant ever since. Its emergence meant that from that time forward French Canadians would define their rights more and more in terms of Quebec provincial rights. The arrangement of 1867 was already coming undone.

The issue which led to the formation of a French Canadian nationalist movement, the direct predecessor of today's movement, was that of Canada's participation in the wars of the British empire. In October 1899, under pressure from colonial secretary Joseph Chamberlain and under the pressure of militarist and Anglo-Saxon chauvinist groups like the Imperial Federation League, the government of Wilfrid Laurier decided to send 1,000 Canadian troops to fight in the South African war.[7] **The war was opposed by the majority of French Canadians, who were more inclined to identify with the Boers in South Africa than with the British imperialists. Henri Bourassa, the young Liberal member of parliament for Labelle riding, resigned his seat in protest against the sending of Canadian troops.[8] The struggle against participation in the Boer War made Bourassa the leader of a renewed nationalist movement in French Canada.** The movement that grew up between 1900 and 1914 found its centre of gravity in the independent professionals of French Canada. Its activities and ideas struck a responsive chord in the province's classical colleges and among the lower orders of the clergy.

The Bourassa nationalist movement was a defensive, conservative movement. It sought to maintain what it saw as the compact or agreement made between English and French Canada in Confederation. **Bourassa asserted that in 1867 English Canadians had entered into a compact with French Canadians under which Canada would not participate in the wars of the empire except for the defence of Canadian soil.[9]** Bourassa made his claims for French Canada in terms of British precedent. He argued that the decentralized empire of the mid-19th century little Englanders and free traders was congenial to French Canada.

He deplored the rise of a new protectionist, militarist imperialism in late 19th century Britain that threatened to undo Canadian self government.

Bourassa did not call for Canadian independence from the British empire. He called merely for the restoration of a decentralized empire and fought against the excesses of the empire in a period of inter-imperialist rivalry between Britain and such countries as France, Germany and the United States. Bourassa's complaint was that Canada as a self-governing colony of Britain had no rights in the area of foreign policy.

Therefore it was the business of Britain to defend Canada and not the business of Canada to defend Britain.[10] **As a political figure in colonial French Canada, Bourassa feared the three English speaking collectivities that surrounded Quebec: Britain, English Canada, and the United States. He wanted to retain the British connection as reinsurance against English Canadian control of Canada which might lead to the destruction of existing French Canadian rights. He favoured Confederation as a barrier against American domination of French Canada and he saw the United States as a useful prop against British militarist imperialism**.

The impotence of Bourassa's politics stemmed from its base in a declining independent petite-bourgeoisie in Quebec. As Quebec became urbanized and French Canadians flowed into the factories from the farms, as French Canadian small business faced competition from European immigrants, as the Anglo-Canadian and American lumbering, mining and electric power trusts moved in -- the world of the independent petite-bourgeoisie became ever more insecure. Its programme involved such elements as rural colonization so that French Canadians could be directed away from Montreal to the barren ground of small farms in areas like Rouyn-Noranda where French Canadians could retain their faith and their pastoral way of life at the cost of grinding poverty and incredible suffering. **The Bourassa movement promoted the caisse populaires** *(credit unions)* **in Quebec as lending institutions that would help French Canadian farmers and small businessmen. It advocated the creation of nationalist and Catholic newspapers like** *Le Devoir, L'Action Sociale* **or** *Le Droit* **to combat the materialistic, protestant values of English speaking North America. In its latter days, it sponsored Catholic unionism in Quebec as an alternative to a unionism that was secular and believed in class struggle."**

(...)

Conscription in 1917 revealed clearly that English Canada was prepared to use its majority position to force French Canadians to knuckle under on a life and death issue. Even though Quebec elected 62 out of 65 MPs opposed to conscription in 1917, an English Canadian federal government made up of Conservatives and pro-conscription Liberals was able to impose its will on Quebec. Faced with conscription, over 90 per cent of French Canadians called up sought exemption. Thousands went into hiding, many in the north woods of Quebec where the police and the military were afraid to go to confront them in their armed camps. In 1917 riots broke out in Quebec City, riots which were quelled when a regiment of Toronto troops was sent into the city.

The nationalism of Bourassa died with conscription in 1917. Never since that date have Quebec nationalists seen Ottawa as the focus of their politics.

The second phase of Quebec nationalism begins with Conscription and lasts until World War II. This second phase, sometimes described as Laurentianism, was based on the same class forces as underlay the Bourassa movement.

This time the leading figure in the movement was Abbé Lionel Groulx, a professor of History at the University of Montreal. Groulx did not define the Quebec interest in terms of compacts with the English as Bourassa had. Instead he created a mystical corporatist nationalist creed that sought its inspiration in New France before the Conquest. As in corporatist movements in inter-war Europe, inspiration was sought in historical epochs far removed from modern industrial society. What some movements sought from the Goths, the ancient Romans or the Gauls, Abbé Groulx sought from pristine New France.

He was the founder of the myth of Dollard des Ormeaux. We all know who Dollard was -- he was the man who with a handful of comrades in the mid 17th century fought off an invading army of Iroquois with such audacity that in giving their lives Dollard and his friends saved New France. Groulx writing in 1919, turned Dollard into a Christ figure of French Canada, a man who had given his life for the Church and for New France.

For Groulx, the tale of Dollard was meant to have important contemporary significance. Dollard, if he were alive today, would lead French Canada, said Groulx. He would lead French Canada out of its sense of inferiority toward the English. He would be the leader, the *chef* of the French Canadian people and along

with other members of an elite he would guide French Canadians back to the values of their faith and their race.[14]

For Groulx these values were to be found in his view of what New France had been: a religious society that rejected the commercialism of the Protestant English, a society of large families organized into parishes with each household headed by the stern but just father. It was a society that according to Groulx was so pure and devout, that between 1608 and the conquest in 1759 only one illegitimate birth had occurred. For Groulx also, New France had produced a pure French race with the world's highest birth rate and with no intermarriage with the Indians. French Canadians were descended from carefully selected gentlewomen of devout character.[15]

It is amusing to contrast this view with the view in Bergeron's history of Quebec in which French Canadians are seen as the descendants of criminals and prostitutes. Dollard is pictured as merchant exploiter of the Indians and the Conquest is seen as decapitating a developing merchant capitalist society.

For Groulx though, the idyll of New France was to instil values in French Canadians in the 1920s. It was the desperate cry of a dying class of independent professionals who wanted to forget the urban industrial society dominated by foreign capitalists that was rising around them.

The right wing nationalism of Groulx declined in the late 1920s during a period of relative prosperity, but revived during the desperate times of the Depression in the thirties.

The thirties led to the formation of a new force in Quebec politics: the Union nationale (UN). The Union nationale was born as an alliance between a group of liberal reform intellectuals called *Action liberale nationale* and the Quebec Conservatives led by Maurice Duplessis. '**Action liberale nationale'** [ALN] **developed a programme of social reform including such items as maximum hours and minimum-wage legislation, social welfare and unemployment insurance. The programme was developed out of the ideas of reform Catholicism in Europe, an attempt to evolve an alternative to socialism.** The deal between the ALN and Duplessis was that the new party, the *Union Nationale* would adopt the ALN reform programme, but that Duplessis would provide the leadership and the organization. Duplessis, of course, quickly took control of the party and following the election of 1936 changed its political direction to suit his own purposes.[17]

The Duplessis government embodied many of the aspects of the nationalism of Abbé Groulx. Duplessis engaged in a symbolic defence of Quebec against foreign influences that involved Quebec in a long staged battle with the federal government at Ottawa. **Duplessis during his time in office unveiled a provincial flag for the province, passed the Padlock Law that allowed the provincial government to close down the premises of alien organizations like the Communist Party and Jehovah's Witnesses. He refused to accept money from the federal government in the 1950s for assistance to higher education or as part of the Trans-Canada highway programme.** Following World War 2, Duplessis held up the return of the Polish art treasures held during wartime for Poland in Quebec, to the Communist government of Poland. **In the early fifties, the Duplessis government answered the federal government's** *Rowell-Sirois Report* **on federal-provincial relations with its own** *Tremblay Report* **which outlined a provincial rights position for the province of Quebec.**

But beneath the facade of Duplessis' Quebec first policy, lay the reality of a government that placed advertisements in New York newspapers inviting American capitalists to come to Quebec to exploit the cheap labour of the French Canadians. Not only did Duplessis employ a persistent anti-Red witch-hunt to hold back the consciousness of Quebec workers, but his variety of nationalism had as one of its components, Catholic unionism.

Catholic unionism made its appearance in Quebec in the first decade of the century. The roots of trade unionism in Quebec actually go back to the early decades of the 19th century. Quebec had been an important site for the organizing of the Knights of Labour, an early variant of industrial unionism, in the 1880s.[18]

Catholic unionism was devised, beginning in Europe, as the church's answer to the secular and militant class conscious organizations of workers. By the end of the 19th century, the church, faced with the reality of syndicalism and socialism changed its position of opposition to all workers' organizations. It accepted the right of workers **to** organize but only in Catholic unions which had as their goal the overall harmony of society and which did not adhere to policies of class conflict.

In 1921 40,000 Quebec workers who had been organized into Catholic unions were brought together in a Catholic trade union federation, the CTCC. Each local in the CTCC had a clerical adviser who had a great deal of authority over bargaining between the union and the employer. The CTCC was based on the philosophy that unions should avoid strikes and should appeal to the Christian sense of the employer.

It is not difficult to imagine the field day employers enjoyed in the early years of Catholic unionism in Quebec. Their existence was, in part, responsible for Duplessis' ability to advertise the cheap labour of the province to American corporations.

But even Quebec under Duplessis, during the period which Pierre Vallières called "the great darkness' was changing. World War II led to rapid and intensified urbanization and industrialization in the province. A new secular leadership was beginning to emerge within the Catholic trade union movement.

In 1949 the Asbestos strike revealed that the Quebec working class had reached a new level of organization and consciousness. When the workers ignored Duplessis' labour legislation and went on strike against the Johns Manville company in Asbestos, support was massive from workers around the province. For once the Catholic unions, the Trades and Labour Congress unions in Quebec and the Canadian Congress of Labour unions temporarily overcame their bitter rivalry and supported the Asbestos strikers. Amazingly, Archbishop Charbonneau took the side of the strikers and one Sunday churches across Quebec took up a collection for the striking workers. But the power of Duplessis' goon squads and provincial police prevailed in the end, and the long and bitter struggle was lost. The provincial government, appalled at the church's support of the workers, dispatched its labour minister to Rome to discuss the archbishop's behaviour with ecclesiastical authorities. Archbishop Charbonneau's efforts were rewarded by his almost immediate retirement. He was exiled to a retreat in British Columbia.[21]

By the mid-fifties the Catholic trade union movement had evolved into a fully secular organization with the creation of the Confederation of National Trade Unions (CNTU -- *MORE COMMONLY KNOWN BY ITS FRENCH INITIALS -- CSN).* **From the position of company unions signing sweetheart contracts, the movement had cast off its clerical garb and had emerged as Quebec's most militant and most national trade union central.**

At the same time as the Quebec people had been making the transition from the church and the farm to the factory and the trade union, a new middle class had been emerging in Quebec. Unlike the independent professional petite-bourgeoisie that had dominated the previous two phases of French Canadian nationalism, the new middle class held positions in the civil service and in business. It was made up of top civil servants and French-Canadian junior executives in the corporations. Both groups mushroomed in size in post war Quebec and both felt that they were being held back in Duplessis' Quebec. The civil servants looked to the higher salaries enjoyed by their counterparts in neighbouring Ontario. French Canadian junior executives or would-be executives who were graduating in Quebec were becoming impatient to remove the barriers to the advancement of French Canadians in the corporations in Montreal. **The fact was that French Canadians consistently obtained fewer promotions and received lower pay in the corporations than did their English speaking counterparts with the same level of education.**

Within the cast-iron system of Duplessis with its electoral corruption and blatant patronage, the new middle class began organizing for power at the provincial level.

In 1960 the provincial Liberals under Jean Lesage brought the new middle class to office with the support of the other great emerging force, the Quebec proletariat. The Quiet Revolution of the early sixties saw the arrival of the new middle class. English Canadians breathed a sigh of relief, believing that

Quebec had finally entered the 20th century, with a decent, clean liberal reform government. It was briefly assumed that the old problems caused by Quebec's odd identity were solved at last. All Canada could settle down to enjoy the comforts of branch-plant liberalism.

But English Canada's nirvana was short lived. The Quiet Revolution quadrupled Quebec's educational budget in several years. It brought demands for federal subsidies to build the highways that had been long delayed. It led to the nationalization of the power companies into Hydro Quebec through the floating of a loan on the New York money market. All this led to a severe crisis in federal-provincial tax sharing arrangements. It turned out that simply accommodating the arrival of Quebec's new middle class would seriously strain federal-provincial relations.

The nationalist campaign of the new middle class which sought the removal of barriers to Quebecois advancement within the corporate structures shook Confederation far more than had the earlier nationalist movements.

But the 1960 coalition which had involved Lesage, Lévesque and Trudeau as well as most of the labour leaders of Quebec began to break apart quickly.

One wing of the new middle class supported a position of stronger nationalism edging toward endorsement of independence for Quebec. Federalists like Trudeau undertook their intellectual denunciations of the thrust toward independence. In his book, *Federalism and the French Canadians*, **Trudeau accused the independents of fearing the rational international world of the multi-national corporations which was emerging.** He warned contemptuously that French Canada was unprepared for democracy and dismissed the independence struggle as a retreat to the wigwam and as a new treason of the intellectuals. Echoing the opposition of the trade union leadership of the early sixties to separatism, Trudeau said an independent Quebec would involve a cut in living standards for the working class while benefiting the middle class.[22] His logic led him to oppose Canadian as well as Quebec nationalism and *[while claiming]* Lévesque was flirting tantalizingly with the separatists, *[threatening]* Quebec's economy, it *[Quebec's nationalism]* could not consistently oppose the control of Wall Street over Bay Street. *[italicized words added -- Ed.)*

While Trudeau was preparing the intellectual defences for federalism and Lévesque was flirting tantalizingly with the separatists, the separatist party, le Rassemblement pour l'independence nationale (RIN) with a mere 900 members proved the electoral possibilities for independence by winning 210,000 votes in the 1966 election.

In 1967, René Lévesque made his ultimatum to the Quebec Liberal Party by challenging it to accept a programme calling for virtual sovereignty for Quebec. His programme having been rejected by the Quebec Liberal majority, Lévesque led his followers out of the Liberal party and into a transitional organization called the *Mouvement souverainété association* (MSA) which was to prepare for the creation of a new independentist party.

The wing of the new middle class that favoured independence got its respectable political vehicle in 1968 with the creation of the *Parti Québécois (PQ),* which swallowed up the two existing independence parties, the *[Rassemblement pour l'indépendance national)* RIN and the *Ralliement nationale [RN].*

Lévesque's PQ, in fact, called for Canadian status for Quebec within the American empire. For the PQ the problem was not imperialism but the illogic of dealing with the real power centres of New York and Washington through the back door at Ottawa. The PQ made it clear that it welcomed foreign investment in Quebec and in the 1970 election the party's literature featured a statement by David Rockefeller to the effect that he did not care whether Quebec separated or not, provided that it welcomed foreign investment. *[However, Léveque's spectacular break with the governing Liberal Party served to stimulate Québécois nationalism among much broader layers of the working class for the first time, laying the basis for virtual labor political action, with active participation of union officials as well as rank-and-file within the PQ, not only electorally but in building mass participation in rallies and militantism particularly in Montreal -- Web. Ed.)*

Calling for a common market with the rest of Canada to calm his more squeamish potential supporters, Lévesque insisted that the struggle for independence meant only a battle over sovereignty with Ottawa, with hands off the foreign corporations. The most recent convention of the PQ, held early in 1973, reconfirms its character as a party of the new middle class, seeking Quebec independence to further the aspirations of this class to be branch-plant managers and to be dominant in the state structure of the new Quebec.

In 1970, the PQ won 24 per cent of the popular vote in the Quebec provincial election, though electing only 7 members to the National Assembly. Six of the party's seven seats were located in the east end of Montreal, the great metropolitan bastion of the French Canadian working class. The party, by then, boasted a membership of about 80,000. That is more than the Canada-wide membership of the NDP.

By the time the PQ had been founded and had fought its first election, the French Canadian saviours of federalism had arrived in Ottawa. **In 1968, Trudeau won office as a French Canadian who was pledged to a hard line position in keeping Quebec under control. He had made it clear that he regarded Quebec as having no rights going beyond those of any other province. English Canadians were relieved at having found a French Canadian federalist who was on record as complaining about the quality of French spoken in Quebec, who was prepared to sit through a rock-pelting for federalism at the 1968 St. Jean Baptiste day parade** *(this interrupted traditional June 24th mass 'national holiday' celebration had ended temporarily by mutually polarized agreement -- Ed.)* He was a man who made it clear that if Quebec seceded, he would not return to his native province but would instead settle in New York.

Naturally, the large corporations of the continent preferred the Trudeau position to the Levesque position, although in neither case were their basic interests threatened. But while the federalist and new middle-class independentist options were being prepared, Quebec society continued to undergo basic changes.

The early sixties in Quebec saw an almost cataclysmic rise in anti-clericalism among masses of young urban Québécois. The passage of Bill 60 meant the end of the church monopoly in the province's educational system. During the decade, the church was faced with an insoluble recruiting problem in replenishing the ranks of the clergy, which literally began to age and to die off.

Radical militancy was on the rise among Quebec's workers during the sixties. The radical unionism of the Montreal wing of the CNTU [CSN] under Michael Chartrand, the militant movement of Montreal taxi drivers, and the long, grueling struggle of the Lapalme drivers were a few cases.

Also during the decade, a small terrorist movement usually known as the FLQ *(Front pour la libération du Québec)* **began sporadic incidents of violent, symbolic opposition to federalism. In October 1970, the kidnappings carried out by the FLQ led to the invocation of the War Measures Act by the Trudeau government.** Without entering into a lengthy discussion of the crisis of October 1970 we can point to a few of its important features. **Trudeau, Bourassa and Drapeau saw one aspect of the crisis as an opportunity for silencing their political opponents in Quebec, in the trade union movement, in the PQ, in the citizens' action committees which had led to the formation of the radical municipal party in Montreal, the Front d'action politique (FRAP). The crisis was seized as a chance to heighten the readiness of the state apparatus for dealing with the populace.**

To understand the strategy of the FLQ, read Pierre Vallières' book, *White Niggers of America.*[13] Vallières describes his life as the son of a worker in the Angus Shops of the CPR in Montreal. The misery and the sense of hopelessness of the working class of Quebec in the fifties is depicted in the book.

But it is clear that Vallières, even as an FLQ ideologist, retains his sense of hopelessness about the working class. The workers can only be moved from their inert helplessness and unconsciousness in his view through the inspiration of the symbolic violence of a few who strike back at the system. That was the road to revolution outlined by Vallières in the 1960s.

But the War Measures Act crisis led Vallières to change his position. In 1972 he published a new book, *Choose,*[24] **in which he renounced his earlier advocacy of terrorism, arguing that all the FLQ did was to mobilize the state without mobilizing the workers.** He then goes on to endorse the electoral strategy and political programme of René Lévesque and the PQ**,** maintaining that all Quebec independentists should work together for political independence, after which they can decide what kind of social order an independent Quebec should have. Above all, he warns against independent political action by the working class of Quebec, advising the workers to stick with the leadership of René Lévesque. The interesting thing is that Vallières, in turning from terrorism to electoralism, retains the same basically incorrect understanding of the working class. His politics remain individualist in both the adventurist and the opportunist manifestation.

The crisis of October 1970 led to a temporary shocked numbness in Quebec politics. But the following October, it was not the FLQ handful, but masses of Quebec workers who arrived as a new political force on the stage of Quebec politics.

The epochal strike against *[the Montreal daily] La Presse* **centred on the question of who should control the content of the paper. The journalists wanted to replace Power Corporation with its anti-socialist and anti-independence position. But the strike did more, it brought about a new alliance of Quebec trade unionists. The new alliance was symbolized when Louis Laberge, president of the Quebec Federation of Labour** *(QFL/FTQ)* **who until then had been an international unionist with an undistinguished record of business unionism, announced that he would lead a demonstration to the** La Presse **building in defiance of the city police.**

In the months following the *La Presse* **strike, the Common Front among public employees represented by the QFL/FTQ, the CNTU/CSN and the Quebec Teachers' Corporation came into existence. In the spring of 1972 the historic general strike of 200,000 Quebec public employees took place.**

The three trade union centrals that entered the Common Front also issued manifestoes. The *manifestoes* **were the first full evidence of the Quebec working class entering politics in its own name**. Quebec workers had been the foot soldiers for the Papineau rebellion in 1837, for the Catholic unions, for the Quiet Revolution in 1960 and for René Lévesque in 1970. Now the mainstream of the trade union movement issued manifestoes which broadly favoured the independence of Quebec and the destruction of capitalism.

The QFL *[FTQ]**** **manifesto, entitled** *The State is Our Exploiter***, detailed the way in which the state is used as a coercive force on behalf of the capitalist system. It showed how the whole rationale of the state is to hold down the working class both through its coercive instruments and by redirecting the taxes paid by workers into grants to the corporations.[25]**
[FTQ – the union 'centrale' affiliated to the pan-Canadian CLC -- Web Ed.)

The CNTU [CSN] manifesto, entitled *Its Up to Us***, to which Vallières takes greatest exception in** Choose, **sees American imperialism as the main enemy. The manifesto analyses Quebec's economy as a hinterland economy based on the extraction and export of resources and on light manufacturing.** Quebec is an under-industrialized hinterland of Ontario and the United States, it says. The manifesto points to the structural problems of a Quebec economy which has such an enormous service sector in relation to the amount of manufacturing done in the province. It points out that over 50 per cent of all construction in Quebec is now being undertaken by state expenditures. It shows how the state is trying desperately to cover over the structural weaknesses of Quebec's hinterland economy.[26]
[CSN -- principal union 'centrale' of Quebec-based unions -- Web Ed.)

With the Common Front and the Manifestoes*,* ***it was clear that a significant working-class, anti-imperialist struggle for an independent Quebec was being born.***

For English Canadians who are concerned with building an anti-imperialist socialist independence movement in English Canada, the struggle in Quebec is enormously significant. In it lies the hope

that English Canadians and Québécois will no longer be victimized by a federal system which has simply handed both parts of the country over to the American corporations. Let us hope that an anti-imperialist alliance is possible. Perhaps the simultaneous proposals for the Mackenzie Valley Pipeline and the James Bay Hydro Project, both of which will turn the northern half of this continent into even more of a resource hinterland of the United States, give us the opportunity to begin to create an anti-imperialist alliance.

(Note as well elsewhere in this Website's Waffle archives the firm prioritized recognition by Waffle of Quebec's right to self-determination -- Web Ed.)

NOTES

[1]Donald Creighton, *The Road w Confederation,* (Toronto, 1964), p. 44.
[2]Donald Creighton, *Canada's First Century,* (Toronto, 1970), p. 10.
[3]Mason Wade, *The French Canadians,* (Toronto, 1956), p. 324. [4]/AW., p. 362.
[5]/AW., p. 417. [6] *Ibid.,* p. 429.
'James Laxer, *French-Canadian Newspapers and Imperial Defence 1899-1914,* (unpublished M. A. thesis, Queen's University, 1967), p. 27. [8]/AW., p. 35. '/AW., p. 36. [10]/AW., p. 177.
[11] Henri Bourassa, *Syndicals Nationaux ou Internationaux,* (Montreal, 1919), p. 16.
[12]ibr an understanding of Laurier's views, read O. D. Skelton, *Life and Letters of Sir Wilfrid Laurier,* (Toronto, 1965), v. 1, 11. [13] Mason Wade, *op. cit.,* p.74.
'"Abbé Lionel Groulx, "If Dollard Were Alive Today," in Ramsay Cook (ed.), *French-Canadian Nationalism,* (Toronto, 1969), p. 195.
"for his views on New France, read: Abbé Lionel Groulx, *Notre Maitre, le Passe,* (Montreal, 1921).
[16]Léandré Bergeron, *The History of Quebec,* (Toronto, 1971).
"for a full treatment of this subject, read, Herbert Quinn, *The Union Nationale,* (Toronto 1963).
[18]Charles Lipton, *The Trade Union Movement of Canada 1827-1959,* (Montreal, 1967), p. 68. "/AW., p. 225.
[20] Pierre Vallières, *White Niggers of America,* (Toronto, 1971), p. 121. [21]Leandre Bergeron, *op. cit.,* p. 197.
[22]To understand his ideas, read, Pierre E. Trudeau, *Federalism and the French Canadians,* (Toronto, 1968). [13] Pierre Vallieres, *op. cit.*
[24]Pierre Vallières, *Choose,* (Toronto, 1972),
[25]Daniel Drache (ed.), *Quebec - Only the Beginning,* (Toronto, 1972), p. 158.
[26]*Ibid.*, p. 27.

(Canada) Ltd.: The Political Economy of Dependency

Edited by Robert M. Laxer, 1973

(Part 12) **Contradictions and Alternatives in Canada's Future**

Mel Watkins

(All emphasis by the Web Ed.)

The process of capitalist development proceeds dialectically, on the one hand constantly revolutionizing production, on the other hand creating conditions antagonistic to capitalism itself. The resulting contradictions, to the extent that they are fundamental, necessarily contain the* possibility *for the radical transformation of capitalism and the creation of its alternative, socialism.

Now the record of the advanced capitalist countries demon strates the remarkable resiliency of capitalism, that is, its ability successively to transcend particular contradictions. **The likelihood that this will not indefinitely be the case depends not on the mere waiting for the contradictions to deepen and to ripen, but on the articulation of the socialist alternative, on the development of socialist strategies around particular contradictions, and on the building of a socialist movement as a force in being.**

It follows that a necessary first step for socialists in Canada is the identification of the contradictions inherent in contemporary Canadian capitalism. That is, of course, what we have been endeavouring to do in these essays. **We have spoken of the struggle between labour and capital, which is the primary contra diction of capitalism; of Canada as a resource hinterland in the context of American imperialism, which is the most important of the immediate contradictions of Canadian capitalism; of the Québécois as a specially-exploited people within Canada, now strug gling for national self-determination; of the double exploitation of women as underpaid workers outside the home and unpaid work ers within the home; of the growing fiscal crisis of the state.** We have endeavoured to expose the liberal ideology as a set of beliefs that can only perpetuate domination and inequality. We have appealed to the history of dissent and protest of the Canadian people to show that there is a tradition of struggle in this country, ***but we have argued that its presently dominant institutional forms -- the trade union movement under American union control, and the New Democratic Party -- increasingly fail us.***

In this chapter I shall organize the argument around a book, now eight years old, which has been tremendously influential -- George Grant's *Lament for a Nation.(1)* The occasion for the book was the rise and fall of Diefenbaker, but for Grant the implica tions were profound:

> ["] To lament is to cry out at the death or the dying of some thing loved. This lament mourns the end of Canada as a sovereign state... . Lamenting for Canada is inevitably asso ciated with the tragedy of Diefenbaker. His inability to gov ern is linked with the inability of this country to be sovereign. . . . Diefenbaker's confusions and inconsistencies are ... to be seeii as essential to the Canadian fate. ... The 1957 election was the Canadian people's last gasp of nationalism. Diefen baker's government was the strident swan-song of that hope, (pp. 2, **4,** 5) ["].

Grant's argument with respect to independence consists of three propositions:

> **1. Canada is dominated by American corporate capitalism particularly since 1940.**
>
> The United States is "the world's most powerful empire to date." Its ruling classes are "those that control the private governments (that is, the corporations) and those that control the public government which co-ordinates the activities of these corporations. ... **Our ruling class is composed of the same groups as that of the United States, with the specific difference that the Canadian**

ruling class looks across the border for its final authority in both politics and culture." (pp. 8, 9) Again, "the dominant classes in Canada see them selves at one with the continent on all essential matters." "Dominant classes get the kind of government they want"; **Canada has become "a branch plant of American capitalism" (p. 41) and "foreign capital is able to determine possible gov ernments by incarnating itself as an indigenous ruling class." (p. 43)**

The major culprit for Grant, as later for Donald Creighton in his *Canada's First Century,*[2] is the Liberal Party which "for twenty years before its defeat in 1957 . . . had been pursuing policies that led inexorably to the disappearance of Canada." (p. 4) Its major accomplishment was to move Canada from the British to the American Empire. **"From 1940 to 1957, the rul ing class of this country was radically reshaped. In 1939, the United Kingdom still seemed a powerful force, and the men who ruled Canada were a part of the old Atlantic Triangle. They turned almost as much to Great Britain as to the United States, economically, culturally and politically. After 1940, the ruling class found its centre of gravity in the United States." (pp. 9-10)**

2. An independent capitalist Canada is an impossibility.

Grant calls this option "Gaullism" and conceives of it as the planning and control of investment by the elites "so as to stop the tendency of capitalism to become international." For him "Macdonald's 'National Policy' was of the Gaullist kind." (p. 46) But Grant makes it clear that what is at issue, is the nature of the capitalist class itself: **"After 1940 it was not in the interests of the economically powerful to be nationalists. Most of them made more money by being the representatives of American capitalism and setting up the branch plants. No'class in Canada more welcomed the American managers than the established wealthy of Montreal and Toronto, who had once seen themselves the pillars of Canada. Nor should this be sur prising. Capitalism is, after all, a way of life based on the princi ple that the most important activity is profit-making. That activity led the wealthy in the direction of continentalism. They lost nothing essential to the principle of their lives in losing their country." (p. 47)** Grant recognizes that "Much of English-speaking conservatism was simply a loyalty based on the flow of trade, and therefore destined to change when that flow changed" (p. 69) - an admission that some of his left critics who see him as mired in nostalgia have ignored -- **and he concludes that "no small country can depend for its existence on the loy alty of its capitalists." (p. 69)**

3. The only possibility for Canadian independence is socialism, but socialism is impossible.

To have argued not only the first two propositions but also the first half of this proposition in 1965 was a formidable achievement. "If Canada was to survive, the cornerstone of its existence was the Great Lakes region. The population in that area was rushing toward cultural and economic integra tion with the United States. Any hope for a Canadian nation demanded some reversal of the process, and this could only be achieved through concentrated use of Ottawa's planning and control. After 1940, nationalism had to go hand in hand with some measure of socialism. Only nationalism could pro vide the political incentive for planning; only planning could restrain the victory of continentalism." (p. 15) But, says Grant, **"No such combination was possible, and therefore our nation was bound to disappear." (p. 15)**

Why? "To have anticipated a socialist Ontario was to hope rather than to predict. Certainly its leadership could not have come from the good-natured Utopians who led our socialist parties. They had no understanding of the dependence of socialism and nationalism in the Canadian setting. Their con fused optimism is seen in the fact that they have generally acted as if they were 'left-wing' allies of the Liberal party. Socialist leadership in Canada has been largely a pleasant remnant of the British nineteenth century -- the Protestant tabernacle turned liberal. Such a doctrine was too flaccid to provide any basis for Independence." (p. 75)

To reject the only two routes to independence was a bitter experience for someone who loved his country, though Grant refused to completely abandon hope. In 1967 he wrote: **"Nothing here written implies that the increasingly difficult job of preserving what is left of Canadian sovereignty is not worth the efforts of practical men."**[3] **But as Abraham Rotstein has observed, "It is a dim candle to light the way."**[4]

The later Grant has become obsessed with the horrors of the technological society. He sees technology as obliterating all tradi tions and national identities. For him Marshall McLuhan's shiny global village is filled with darkness.

But, you ask, what of the second half of the third proposition? Is socialism possible? Is Grant's lament, in fact, only a "Lament for a Bourgeois Nation"? Let us try to get at this question by re-examining each of Grant's propositions in the perspective of 1973.

Independentism

There is no doubt as to the dominance of American corporate capitalism in Canada, and of its increase in recent decades as an aspect of Canada's "special status" within the American Empire down to August 15, 1971. **But the important fact since Grant wrote is the beginning of the weakening of U.S. world hegemony and, closely related thereto, the apparent end of special status for Canada.**

While it is clear that the last chapter has yet to be written of the American War in Indochina, it is evident that American imperialism has suffered a major defeat and that U.S. military supremacy vis-a-vis the Third World has been seriously undermined. That is hardly a small matter, for the open door for the American-based, multi-national corporation has always hinged ultimately on force of arms. At the same time, the deteriorating position of the U.S. dollar is clear evidence of the erosion of U.S. economic hegemony, and its replacement by a new era of inter-imperialist rivalry amongst capitalist blocs.

The extent of U.S. balance of trade difficulties which underlie the monetary crisis has compelled the U.S. to demand trade concessions from its major trading partners and, as an aspect thereof, to end Canada's "special status." To date, this has taken the form of no further exemptions for Canada, but it promises in due course to lead to the rolling back of exemptions and concessions previously granted.

In the nature of dependency, Canadian dependence on the U.S. is costly for Canada. Foreign ownership of the resource industries has meant the outward drain of potential jobs as well as profits. Our manufacturing sector has been high-cost, with a high pro pensity to import and a limited capacity to export, because it is mainly foreign-owned. But in recent decades these costs have been masked by benefits arising from special status. It follows that the loss of "special status" now leaves us simply with the costs. This is bound to have pervasive consequences, exactly because at the same time Canada's role as a resource supplier to the U.S., particularly in the energy field, is being greatly intensified. **Simul taneously our already weak manufacturing sector is being under mined, both overtly by U.S. policy and covertly by mechanisms such as an overvalued Canadian dollar and rising energy costs -- set in motion by highly capital-intensive resource development for the U.S. market.**

The result of all this is to create a major contradiction in the Canadian political economy. The emergence of trading blocks, notably of the enlarged European Common Market, creates a dilemma for Canada. **Since Canada is already closely tied to the U.S., the logic of blocs suggests closer formal integration into a North American Common Market.** This is what both John Connally, former Secretary of the Treasury and advisor to Nixon, and Senator Hartke, of Hartke-Burke fame, have pointed out to us recently.

Such bluntness sends shivers up Ottawa's spine. Even our most continentalist Cabinet Ministers, such as Sharp, take pains fo deny this option; the one lesson of history the Liberals have learned is the 1911 Reciprocity election, where the people were actually allowed to vote on the question of continentalism and decisively rejected it.

But to rule out integration is to leave as the only alternative an independent industrial strategy; and that is a nettle the Liberals have not, and cannot, firmly grasp. The result is, at best, drift and ad hoccery; at worst, silent surrender into complete continental ism. This country has not formally signed a continental energy deal, and Donald Macdonald has even learned to say that he is opposed to it. **But Canadian exports of oil and gas to the U.S. have risen significantly in the first part of 1973, and that**

is presumably what a continental energy deal is really all about. The U.S. has not formally abrogated the auto pact, but there is evidence of significant cutbacks in new investment in automotive plants in Canada, particularly by Ford. This strategy can effectively abrogate the pact in terms of jobs for Canadians.

The closest our political leaders have come to articulating a way out of this contradiction is to suggest, as Senator Lamontagne has done, that we use our resources, which the U.S. wants, as a bargaining weapon to maintain special status and stop Nixonomics from de-industrializing us. But there are two problems with that solution. The first is that it is unlikely that the U.S. can afford to be so benign to us, precisely because we are its major trading partner. The second is that selling off resources necessarily brings into play the full range of de-industrializing mechanisms, that is, the contradiction reasserts itself. There is no avoiding the fact that since the United States is the problem, it cannot be the solution.

Indeed, the contradictions involved here are already leading to manifestations of resistance within Canada. **Just beneath the sur face there lies a gut feeling that selling off non-renewable resources is a bartering away of one's birthright, and it can turn into a rage against the con men. Diefenbaker emerged out of the resource mania of the '50's associated with Korean War stock piling, the Paley Report, and the pipeline fiasco; next time we should try to do better.**

The opposition to American domination is picking up momen tum. An opinion poll taken in the Spring of 1973 showed that far more Canadians are in favour of nationalizing the energy resource industry than are in favour of leaving it in the hands of the U.S.-based corporations. Workers in the manufacturing sector are now becoming aware of the causes of de-industrialization. There is a growing opposition to such manifestations of U.S. imperialism as the Mackenzie Valley pipeline and the James Bay Scheme.

Bourgeois Nationalism

By denying the possibility of an independent capitalist Canada, in effect Grant wrote off the Committee for an Independent Canada before it happened. Was he premature in that regard? The intellectual guru of the CIC is Abraham Rotstein; let us examine the quality of his analysis.

He begins well: "It takes only the briefest acquaintance with the realities of the Canadian scene to appreciate that the middle class in this country has been the spearhead of the great sell-out. No other business class in an advanced industrial society has presided so gracefully over its own liquidation." (p. 24) But thereafter the argument lacks conviction. Rotstein rules out both known methods of repatriation: buying back for Canadian capitalists, because it is too expensive; and public ownership, because the majority of Cana dians are not ready for nationalization. Those who advocate the lat ter are warned that they are adding "needless risks" to the task of saving Canada, and are thereby assuming "a grave responsibility." Instead, says Rotstein, because the nationalist movement is weak "It must, in my view, mobilize all classes and segments of society in order to be successful." And around what concrete demand should they be mobilized? Rotstein proceeds to conjure up something called "functional socialism," based on the premise that property consists not only of titles but also of functions; and that, rather than worry about the former, the government should usurp the latter as it sees fit, on a one-by-one basis.

Now both in terms of a political process and a political pro gram, this is seriously deficient analysis. Take first the process of achieving independence; the relevant questions, which Rotstein never really poses, are: What is the nature of the Canadian capitalist class? What is the nature of the multi-national corpora tion? Is national economic independence attainable in the twen tieth century?

Tom Naylor has given a convincing answer to the first ques tion, and it is not helpful to Rotstein's cause. The Canadian capitalist class is a financial bourgeoisie which does not control industrial production in Canada. Hence, bankers are the most powerful section of the Canadian bourgeoisie. They make money financing the foreign take-over of Canada, and joining interna tional consortia the better to rip off the Third World. They are explicitly anti-nationalist.

Naylor's argument comes out of a powerful strand of Marxist writing which has been elaborated by Paul Baran[5] with respect to developing countries in general, and by Andre Gunder Frank[6] for Latin America in particular. Baran argues that imperialism has worked to strengthen mercantile capitalism in the underdeveloped countries. Naylor has demonstrated how both British finance imperialism and American corporate imperialism have done exactly that in the Canadian case. Frank asserts, on the basis of concrete studies of Chile and Brazil, that "The contemporary structure of capitalism . .. does not provide for the autonomous development of a national bourgeoisie independent enough to lead (or often even to take an active part in) a real national liberation movement or progressive enough to destroy the capitalist structure of underdevelopment at home."

The basic reason is the nature of the multi-national corporation, about which we now know a good deal, and its tendency to emasculate the national bourgeoisie. Paul Sweezy and Harry Magdoff, put it this way: "While multi-national corporations do not, as so often claimed, internationalize their managements, they do dena tionalize a section of the native bourgeoisies in the countries they penetrate. This of course weakens these native bourgeoisies.... "[7] Stephen Hymer[8] makes the point metaphorically and graphically when he describes the corporation as a pyramid or vertical hierarchy, with a narrow power centre at the top and a broad base of powerless workers at the bottom, and when he pictures its multi-national oper ations as the spatial shifting of the pyramid, but with the top remaining firmly anchored in the metropole. In Hymer's world, the best a hinterland country can do is to shift some part of the middle of the pyramid.

These arguments cut deep, for they mean that the very existence of a national industrial bourgeoisie in dependent countries runs against the grain of this century. **Capitalism today is imperialism. The name of the game, if you are a capitalist, is not independent capitalism, but being a centre for multi-national capital, or having your "fair share" of the multi-national corporations. The point seems to be grasped by Alistair Gillespie, our new Minister of Industry, Trade and Commerce who, having left the Committee for an Independent Canada, now favours making Canada a viable base for multi-national corporations.**

We can agree that Canada is not well-endowed with its own multi-nationals at the moment. But will the strategy of getting more multi-national corporations be successful? Gillespie appears not to have read Arthur Cordell's study for the Science Council of Canada. On the basis of detailed interviews with the officers of our present multi-national corporations, it concludes: "The inter views suggest that, located next to such a vast market concentra tion [as the United States], Canada faces a possibly inexorable 'iron law' which might be as follows: "when a company in a relatively small country expands its international operations info a significantly larger market it finds, over time, that it pays to locate not only production but support and managerial functions in the larger offshore market area.' The Canadian policy-maker who urges the use of public tax funds to support the establishment of Canadian-based multi-national corporations must carefully assess this built-in tendency."[9]

Nor should we be surprised that, if the name of the game is multi-national capitalism, it is a most difficult game to play. **The viable centres of multi-national capitalism are presently the United States, Western Europe and Japan. As we move into a new era of inter-imperialist rivalry, we should be struck by the fact that this is the same list of participants who played the last round of that game in the pre-World War I era. The reality is that no new centre has emerged in this century within the capitalist world. The only country to join the magic circle of major industrialized coun tries has been the U.S.S.R., and it has been** *(attained this top status group only -Ed.)* **by rejecting the capitalist road.** [Ed. Note: By today in the first quarter of the 21st century, the Russian "workers' state" (state-controlled economy) -- the former USSR -- had collapsed in 1990 and been restored to the capitalist orbit; yet it remains ostracized -- even encircled militarily by NATO-- while China, the new major "workers' state" established in 1953 has since taken its place, with its dominant state-controlled economy growing at rates triple of those of the West, at the same time allowing development of some private sectors, but achieving and even surpassing the status of all of the original dominating imperialist states except the USA -- Ed.]

In sum, the notion peddled about by the CIC that Canada can become a viable independent capitalist

country has little to sup port it by way of either analysis or historical evidence. What, then, is the CIC really all about? The answer is to be found by considering its programmatic demands.

Functional socialism in the abstract means in the concrete the screening mechanism of the Gray Report. Now both in the abstract and the concrete, these new-fangled words mean some thing very old-fashioned, called government regulation of private enterprise. We have something of a track record in this regard in this country. In whose interest have we regulated the CPR and Bell Canada? The notion that the Canadian government could regulate two-thirds of the giant and medium-sized corporations in this country -- for that is what foreign ownership is really all about -- is ludicrous. At best, there could be some marginal increase in net benefits, if the Nixon Administration were willing. In fact, it is not, being already on record as opposed to Canada's use of a screening mechanism which might harm U.S. interests.

There is a moral of some importance to be drawn here. Stripped down to its essence, functional socialism is simply social democ racy. Rotstein got the idea from Adler-Karlson,[10] a Swedish social democrat. **The hallmark of the social democratic mode of analysis is that it can perceive neither class itself nor the state as a class institution. Rather, it conjures up the bourgeois state as a neutral entity able to operate in the "public interest" or, in this case, in the "national interest." It pulls rabbits out of hats and gives them improbable names like "Canada Development Corporation," and "screening mechanism"; the former then joins the consortium to build the Mackenzie Valley pipeline. Predictably, they fail to run very well and are easily domesticated by the imperialists.**

The social democratic analysis assumes that corporations that would not tolerate nationalization would nevertheless sit idly by while governments usurped their rights. It imagines that giant foreign-based multi-national corporations and metropolitan gov ernments would let hinterland governments significantly affect the behaviour of their subsidiaries and demand no benefit in return. All of this, despite the knowledge that foreign-based companies in this country do not even pay taxes at the same rate as Canadian companies. "

It turns out to be no accident, then, that the CIC and the NDP have the same position on foreign ownership, that both endorse the Gray Report recommendation. Such a strategy, to the extent that it would be effective at all, is not about independence but is rather about tidying up after the multi-national corporation, of trying to get more benefits and fewer costs from dependence. It's like having a referee at a rape.

Or, as Cy Gonick has argued, in a most convincing exposure of bourgeois nationalism, it's all just a debate between two schools of continentalists. The difference between the Walter Gordons and the Pierre-Elliot Trudeaus is that Gordon is an activist and Trudeau a passivist:

> ["] Both schools accept the need for continentalism. Neither envisions Canada as being anything but a regional economy within the continental North American economy. And both agree that the multi-national corporation is here to stay, and that it is an agency for progress. The activists. . . complain loudly about the economic problems which emerge between Canada and the United States. .. . [T]hey advocate policies to strengthen Canada's bargaining position within the continen tal system -- to win for Canadians a greater share of the continental pie... . The passivists fear the proposals. They downgrade economic difficulties with the United States.'.. . [T]hey are 'misunderstandings' due to 'a breakdown of com munication.' They argue, in effect, that the marginal gains to be made by tinkering with the continentalist mechanism will be more than offset by retaliatory measures by the Ameri cans, or simply by the hostile environment it will create.["]

The analysis is wholly applicable to the Gray Report; significantly, its supporters are wont to argue that its implementation would strengthen Canada's bargaining position.

Neither the CIC nor the NDP are serious about independence. In the 1970s, this is no small matter. It is difficult to work out an energy policy without recognizing that W. O. Twaits of Imperial Oil is perhaps the most influential man in this country. In the spring of 1973, Eric Kierans described Donald

Macdonald, Canada's energy minister, as W. O. Twaits' "executive assistant." It is difficult to work out an industrial strategy in the absence of a foreign ownership policy. The policy presently under debate in the House of Commons fails to come within a country mile of implementing even the Gray Report. It leaves untouched the existing activities of corporations when most of our industry just happens to be foreign-owned and is in trouble exactly because of that.

Independence and Socialism

Grant's linking of independence and socialism was shortly to be res tated by Jim Laxer with a different and more hopeful twist:

> ["] **Continental integration has become so pervasive that those who value an independent Canada and those who reject the values of corporate capitalism are beginning to share a com mon agenda. Canadian nationalists are starting to realize that only large-scale government intervention in the economy can win back control of this country for Canadians; socialists are more and more aware that we cannot build a better society if Canada does not possess sovereign power.** It is in the interest of North American capitalists to weaken the Canadian state and to limit it to the passive function of maintaining a peaceful and secure climate for investment. In contrast, it is in the interest of Canadian socialists to resist any decline in our national sovereignty...["][12]

T**his perspective provided the basis for the 1969** *Waffle Manifesto* "For an Independent Socialist Canada," **and for its call for public ownership as the positive alternative to the multi-national corpora tion.**

What are the prospects that the Canadian working class will support the call for socialism and independence?

Now, the major interest of the working class has been in the bread-and-butter issues of jobs and a rising standard of living, and is likely to remain so. Broadly speaking, there has been an increase in the standard of living in the postwar period, particularly for most sectors of the working class in southern Ontario. But the situation is now changing. Canada and the U.S. are now on a "collision course" in the search for jobs -- and this dramatic language is not mine, but that of the highly respectable, if not downright reactionary, Canadi an-American Committee. In the nature of inter-imperialist rivalry, the working classes in all capitalist countries will find their income squeezed, the better to permit their capitalists to compete, while the Canadian working class will face de-industrialization, tending further to erode the real standard of living. Indeed, this is already hap pening. Manufacturing employment has stabilized in recent years, while inflation has eaten away gains in money wages.

Some, though not all, of the slack in jobs has been taken up by the expansion of the service sector, and particularly of the public sector. **Canada already has, as a per cent of the labour force, the largest service sector of any of the industrialized capitalist coun tries. In the nature of the case, the ability of that sector to expand is clearly limited by the size of the actual productive sectors -- resources and manufacturing.** The ability of the state to act as employer of last resort is severely constrained by its current fiscal crisis consequent on escalating costs of servicing and tidying up after corporate capitalism while, again, tax revenues are limited by the size and growth of the actual productive sector.

In sum, then, the Canadian working class faces in the '70's pressures unprecedented in the postwar period in terms of the ability of the system to continue to deliver. ***The loss of its "privi leges" creates a new potential for militancy and, to the extent the connection is made with the exigencies of dependent status, there is a new potential for an anti-imperialist movement.***

There are two further serious problems with which Canadians must come to terms. '

Firstly, the survival of Canada is threatened not only by the external threat of the U.S., but by the internal crisis of relations between Quebec and English Canada. If, on the one hand, one assumes that the

Québécois have the capacity and the right to determine their own destiny, while, on the other hand, one takes note of the extent of English Canadian support for Trudeau's implementation of the War Measures Act in 1970 -- though it was clear at the time that his intent was to use the FLQ *(Front de libération du Québec)* crisis as an opportunity to discredit independentism -- then the urgent necessity is for English Canadians to come to terms with what is really going on in this country. Indeed, the issue of Quebec -- or "national unity", as the Kings and the Trudeaus call it -- has the capacity to divert us indefinitely from seeing the United States as the real threat to our survival. The English-Canadian ruling class dominates Quebec on behalf of American capital. English Canada must break that chain, both for the benefit of Quebec and of itself. If English Canada wants independence from the U.S., it can only get it if it is willing to give up its dominance over Quebec.

Developments in Quebec itself, while indicating no lessening in independentist sentiment, do show both an increasing recognition by the left that the ultimate enemy is U.S. imperialism, not English Canadian dependent capitalism, and an unprecedented capacity for labour militancy and receptivity to socialist analysis. The base for a bi-national alliance of socialists in English Canada and Quebec remains precarious, but developments are clearly moving in the direction of improving that possibility. **The possibil ity of working out radically new confederal arrangements depends to a great extent on the efforts of English Canadian socialists in the causes of independence from the U.S. and the right of Quebec to self-determination. And just as the NDP has failed to lead the independence struggle, so too it has failed, and abjectly, to defend the democratic rights of the Québécois; indeed, on this critical issue, no real difference exists between David Lewis and Pierre Elliot Trudeau.**

Secondly, the Americanization of Canada has facilitated the balkanization of Canada and, hence, its further Americanization. It is an instructive, though depressing, fact that the major conse quence for our politics to date of the American energy crisis appears to be the feud between Alberta and Ontario, of which Ottawa, which might be thought to represent the national interest, washes its hands. It may be an iron law for hinterland countries that no matter what the imperialists are doing, what never changes is their imperative to divide and conquer. **In Canada, the heart of this tension flows from the law of uneven development, from the grossly uneven distribution of industry which results from the centralizing tendency of corporate capitalism in general and foreign-controlled corporate capitalism in particular. Only a socialist strategy committed to evening out development has the potential to reduce these tensions and permit of the creation of English Canada as a viable nation.**

The disintegration of Canada appears to be inevitable to many Canadians only in the absence of a socialist analysis which shows that this disintegration is abetted by the nature of Canadian corpo rate capitalism.

A socialist strategy for independence necessarily focuses on the two major and classical institutions for working class action -- the trade unions as the largest, all-encompassing working class organi zation, and a socialist party which is the organizing centre for those advanced workers who espouse and struggle for a socialist program. To understand the role of these two organizations it is essential to analyze them in their unity and interdependence but also in their contradiction and "difference."

Trade unions are organizations which include all workers in a given industry or institution and potentially include all of the six million Canadians who work for a wage or salary. They include the whole spectrum of views of working people from right to left -- but who achieve unity on a minimum program on which major opinion is possible at a given time. Unions must inevitably include all workers, and short of a witch-hunt mentality such as that which existed during McCarthyism and which forbade "Commun ists" from holding union office, most Canadian unions do not currently exclude whole sections of workers for their views. (Although, as noted in the chapter on the Trade Union Movement, a whole group of militant unionists were excluded from full member ship in Local 1005 of the United Steelworkers of America (Stelco, Hamilton) as recently as 1966 by action of the Pittsburgh Interna tional Office for their advocacy of greater autonomy in the union and for their criticism of office holders.) This is not to suggest that unions in Canada -- either American or Canadian-based have achieved even minimally acceptable levels of democracy, but that most do have the constitutional basis for a potential challenge to any particular

leadership or set of policies.

The particular problem of American domination, of course, puts additional limitations and strains on the potential for democ racy. But there is the possibility that if a majority of steel or auto workers in Canada opted for a fully independent Canadian union, they could find the legitimate ways, starting with the existing union structure, to establish a United Steel Workers of Canada or a United Auto Workers of Canada *(Watkins here anticipates the seminal victory of the Canadian Auto Workers union in its breakaway from the UAW in 1988 -- see the Bob White autobiography* "Hard Bargains, *1988 --ed.)* This would no doubt require an organized group or caucus of Canadian workers within their own union determined to fight for such a structural reorganization of their union into a Canadian union. The possibility depends on the freedom of such a group to campaign for independent Cana dian unions within the existing American unions in Canada. Should that freedom be challenged, thus blocking the democratic right of Canadian workers to change the constitution of their union, the fat will truly be in the fire. The consequences -- weakening of the trade union movement through internecine war or local break aways -- would be the responsibility of those who limited the freedom of Canadian trade unionists.

A socialist party is indispensable for the successful struggle for an independent socialist Canada. For how else can a full socialist program for action on a mass public basis and through the parlia mentary arena be made a living reality to millions of Canadian working people? A socialist party not only provides an anti-imperialist and socialist analysis, and a clear view of the socialist goal and how it is to be obtained. It constantly unifies the economic and political struggles, providing leadership in the first place to trade unionists and also to the unorganized workers. It points to the interests of the working class as a whole, as com pared to the more narrow interests of a particular section. It provides the organizational power for cohesive and concerted action at particular pressure points in the struggle and thus unifies the working class for maximum impact on the political and eco nomic fronts. A socialist party is also a kind of school for socialist leadership and activists, who learn from struggle and study about everything from the contradictions in the political economy to the nature and problems of culture in a dependent capitalist country.

Trade unions express the natural, spontaneous consciousness and feelings of workers as they confront the boss at the local level or even at the national level, whereas socialists try to raise the consciousness to full class, or socialist consciousness. ***Socialists demonstrate the links between all the fragmented, separate strug gles to show that they are part of one strategic struggle of labour against capitalist exploitation.***

There is obviously an (organic) link between trade union organ ization and socialist organization. Socialists can enhance the fight ing spirit and capacity of the unions and provide them with the best activists; while the unions are the mass base for the socialist political activity and education through which workers become politically active. There is always a tension between the objectives of the socialist movement and the immediate practice of the trade union movement. But this is a tension which can lead to creative development within both of these indispensable sections of a healthy labour movement.

It is evident that without a mass democratic socialist party there can be no transformation to an independent socialist Canada. The strategic question for socialists is how such a party can be achieved.

The prospect of establishing the necessary socialist party in Can ada by internal transformation of the NDP is demonstrably improba ble. For several years the Waffle operated on a strategy of trying to transform the NDP from a basically reform liberal parliamentary party into a democratic socialist party which would combine mass extra-parliamentary activism with parliamentary politics. This strategy achieved limited success in producing a greater understanding of the need for independence and socialism. It brought together two or three thousand socialists who saw the need for the development of a party adequate to creating independence and socialism. It laid the basis for independent organizations of Wafflers in Ontario and Saskatchewan and of smaller groups in Manitoba, Alberta and B.C.

But this strategy ran its course when the right-wing leadership of the Ontario NDP combined with the

top trade union official dom to expel the Waffle as an organized group. This clearly demonstrated the power of the top union leaders, who feared that analagous movements in their own organizations would soon top ple them from power. **But more important than the open revela tion of their determined opposition to an anti-imperialist policy was the revelation of the main source of power in the Ontario and Federal NDP. From the beginning, but more recently through structural changes in the NDP constitution, the top trade union leaders have been able to exercise decisive power.** Union affiliates in Ontario can now literally dominate either the Ontario Convention or the Provincial Council and even the Federal Convention, as seen in the election of David Lewis in April 1971. The key to domination of the Ontario NDP by the top union leaders is to be found in the small locals, which may not be able to afford to send delegates to conventions or Councils, and who turn their creden tials over to their regional or national office. **In effect, the small locals, most of which are relatively apolitical, are dominated by the international representatives in their unions. They serve effec tively as "rotten boroughs" whose delegates are picked by the top leadership of the union.** ***Typically the delegates are not even members of the local they supposedly represent. It is clear that the union leadership now dominates the NDP.***

Has this gone beyond the point of ever establishing potential control by the rank and file of the NDP? The only possibility for re-opening the NDP as a potential arena for real socialist politics would be a radical transformation of the unions themselves. Such a radical transformation, in the nature of the case, would begin in the large locals and among the rank and file activists and middle-level leadership. ***Since the NDP is linked to the very top of the union structure, the NDP is tied to precisely those elements of the union structure which will resist a transformation until it has gone a considerable distance. In sum, then, the NDP can at best follow such a transformation. It cannot lead it.***

Yet, the need for an anti-imperialist policy is now even more pressing than in 1969. As a transitional form, the Ontario Waffle Movement for an Independent Socialist Canada can continue to press for a program and organize actions for independence -- such as on public ownership of energy resource industries and on a fully Canadian car industry under public ownership. But a transitional form is only transitional.

A New Socialist Party

We need a socialist party which will engage in all aspects of political struggle with all the means available to it. In the context of advance capitalism and liberal democratic institutions, the means include par liamentary activity, but the important point is that under no circum stance should politics be confined thereto. Direct political action with the labour movement and unceasing educational work to expose the class bias of liberal ideology are critical matters.

There are many who recognize the need for a socialist party that will relate to the concerns and the culture of working people, and evolve itself out of those concerns and be a manifestation of that culture. **For my part, I can only state my strong conviction that to do that will be to discover and unleash a powerful will among English Canadian working people for the survival of this country. It is ultimately for that reason that I would argue that anti-imperialism, the day-to-day experience of being a Canadian, is the cutting edge of socialist politics. The anti-nationalist bias of the liberal ideology may well be a surface phenomenon; there is a tradition of anti-Americanism in Canada that traditional politi cians have touched for irresponsible purposes, but which socialists can redirect to the radical transformation of Canada outside the American Empire. And, as previously suggested, it is within that context, and only within that context, that English Canadians are likely to abandon their historic propensity to put down the Québécois.**

We need a socialist party that would have a correct conception of the nature of the state under capitalism and under socialism. The state in a capitalist society is a capitalist state. Therefore, simply to take control of the state can never be sufficient, for the state must be radically transformed as part and parcel of the transformation of capitalism.

This is not to deny that control of the state in a hinterland area is a necessary means to expropriate

the multi-national corporation and replace foreign private ownership with Canadian public own ership. Nor, again, is it to deny the relevance of the electoral route as one arrow in the bow. Rather, the achievement of office must be used to help take power away from the owners of the means of production, the capitalists, and pass it to the producers themselves, the workers.

To do this would be to release the creative energies of the people. We could then begin to move to that humane and democratic society where the working people themselves, will directly control the condi tions under which they work. Then work, rather than being the oppression that it now is, would become an expression of our humanity.

NOTES

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THE CANADIAN CORPORATE ELITE
An analysis of economic power

Wallace Clement (1975) *(selections)*

Chapter One
Themes and Issues in the Study of Corporate Capitalism *(excerpts)*

(Emphasis by the Web Ed.)

(...)
V. Canada's Economic Boundaries

Before finally bringing the arguments presented thus far into a conceptual framework which will be used to analyse the development, structure and composition of the Canadian corporate elite, this section will examine some issues regarding the boundaries of Canada's economic system.

The issue of boundaries is crucial to a study of the Canadian economy as it exists and as it has developed. Canada's economic fate has been embedded in the economy of the North Atlantic triangle. This results in a discontinuity between the political system and the economic system in the sense that they do not match: the parameters of the economic system of which Canada is currently a part extends into the continental context (North America) and in some cases beyond, but the parameters of the political system are set and have historical continuity with distinct state jurisdiction. To the extent the state and economic systems are necessarily tied together, then there are contradictory parameters.

It is agreed that the Canadian corporate elite is committed to the capitalist mode of production and that international movements of capital are a logical extension of this commitment. Porter's argument is that "Because the nationalities of the actors in the system have no place in the instrumental norms of capitalism it is difficult to see how nationality affects the behavior of those who govern a capitalist economy" (1965: 269-270). However — and here there is a departure from Porter — **while it is correct to maintain there is basic agreement on the rules of capitalism and its desirability by the Canadian corporate elite, there are some important differences between members of the Canadian corporate elite and others which must be taken into account. This difference hinges on the issue of "territory". The strength of Canadian capitalists, today and historically, lies in the finance, transportation and utilities sectors of the economy. This is their "turf" and where their greatest strength lies both nationally and internationally. This is true for Canadian banks, life insurance companies and utilities such as Brascan. It is out of their powerful national base in these sectors of the economy that most of the Canadian corporate elite operates.** This is evident, for example, in the reaction and subsequent legislation in the mid-1960's when foreign firms attempted to expand their takeovers of insurance companies and were prevented from doing so. One of the best illustrations is the Mercantile Bank affair and the confrontation between Walter Gordon, then Minister of Finance and a solid member of the traditional upper class, and J.S. Rockefeller of the First National City Bank (Citibank). Citibank took over the Mercantile Bank from a Dutch group in 1963 through a legislative loop-hole. The financial elite quickly reacted and insured that Citibank would reduce its holdings to 10 per cent and be restricted in its growth[20]. Foreign control is greatest in the surplus creating sectors of manufacturing and resources but Canadian control is dominant in the "service" sectors and areas of circulation such as finance, utilities and trade.

It is within this context that the replication in Canada of the Big Three U.S. automakers and the international oil concentration should be analysed. Only in this way can the resistance to moves into the "turf' of Canadian capitalists in finance, transportation and Utilities be understood while foreign control is encouraged in other sectors. It is from their carefully guarded base of operation that the Canadian corporate elite is able to enter into an alliance with foreign capitalists in other sectors.

This issue of boundaries will be a particularly important theme throughout the following chapters on Canada's economic development and current structure. For the present, it is sufficient to argue that the nation-state is a reasonable unit of analysis, even if it does not contain the entire economic system, simply for political reasons if no other. Nations are arrived at after long and bitter struggles, negotiations and planning, and they also have historical continuity. To say nation-states are becoming obsolescent or that one state is subservient to another does not resolve the problems of people living within these political units. **Although it will be emphatically argued in subsequent chapters that Canada's economic system is not**

separate or detached from a wider capitalist system, it is none the less valuable to examine Canada's place within the wider system and analyse the implications of this for Canadians. For now it is sufficient to note that the issue of whether Canada is "dominated" by U.S. capitalists or in a "junior partnership" with them is at least problematic and much more complex than these simple assertions suggest. While this is probably correct for what will later be called the comprador elite, it does not accurately describe the traditional indigenous elite[21]. The indigenous elite is better understood as being in an alliance with foreign capital as a full partner resulting from an historical divison of labour. The difference between these two ways of understanding the impact of foreign investment has important implications for the study of Canadian society and will be elaborated elsewhere.

In conclusion, the five initial issues and themes important to the study of corporate capitalism are the distinction between condition and opportunity, the relationship between class and elites, the debate between ownership and control, the exercise of corporate power and finally, the question of economic boundaries. These issues, plus several others, will now be integrated into a conceptual framework useful for analysing the relationship between capital, corporations, classes and elites.

(...)

Elites and Decision Making

The way production is organized provides the structure within which economic decision making occurs. The exercise of economic power involves access to organizations through which power can be realized; in liberal-democracies this means control over the decision making apparatus of dominant corporations. It is through organizational structures, and the distribution of power within and between these organizations, that economic dimensions of stratification become operative. Elite models base their analysis on dominant positions within dominant institutions to focus on the upper levels of stratification. Elite studies are, therefore, concerned with the institutional structure of society and questions related to class recruitment to positions of power.

From the perspective of the nation being studied, it is important to distinguish between national or indigenous elites who may operate primarily within the particular nation or be based in the nation but operate internationally through multinational corporations, satellite or comprador elites who operate branch plants of foreign multinational corporations and may be either nationals or imports from the headquarters and, finally, the foreign or parasite elites who are the heads of multinational corporations outside the host country. Each is related in the sense of being allied or competitive with one another. Moreover, they involve patterns of relationships between corporations and the internal workings of corporations. This latter aspect has received much less emphasis than has the former yet it is a significant dimension of analysis, particularly from the perspective of an interest in stratification. **For example, comprador elites are the counterpart of parasite elites[24]: comprador elites are top ranking managers and directors of branch plants who follow the policies of parasite elites based, in the parent corporations.** Since structures involve relationships, they change over time and it is important to analyse these structural changes. This is suggested, for example, in the transition from charter companies to small-scale entrepreneurial firms, to joint-stock companies of a national scale, to modern multinational corporations.

For present considerations, it will be important to distinguish between particular bases of power and the nations in which they originate. Ideally, this involves not only corporate but other bases of power as well (including, for example, military, political and religious bases), but the parameters of this study are limited to corporate power with only peripheral reference to the others. It is argued that international dimensions of power are particularly relevant to the study of relations between, and comparison of, the United Kingdom, the United States and Canada, since imperial linkages between these areas have important implications for their internal stratification structures.

One of the central points of elite studies is the assertion that power "is exercised, not so much by individuals as by collectives" (Porter, 1955:504). This clearly forms the link between social structure and social stratification. Previous analysis has shown social class to be very much a hereditary phenomenon — particularly related to inherited wealth and accumulated advantage such as social conditioning, opened avenues, access to education and skills, etc. Just as an analysis of social class position requires understanding career patterns and social origins, so an analysis of social class and power on a macro-level requires analysis of the "career" of the social structure as it affects the development of current structures of inequality.

Boundaries (Spatial Dimension)

Boundaries refer to the parameters under consideration and what can be thought of as representing a "system" for analysis. For example, the parameters for the following discussion include the North Atlantic

triangle since this represents the economic system of which Canada is, and has been, a part. The pulls between the continental and Atlantic economies in terms of economic and political orientations have represented two of the most powerful social forces interacting throughout Canada's history. Whether in terms of the United Kingdom or the United States, Canada's economy has been international, and this provides the minimum frame of reference for an analysis of social change and economic development. It is within this context that the hinterland/metropolis, center/periphery or development of underdevelopment models[25] prove useful. The traditional focus on staples provides a helpful transition into these models. **The staples theory includes an assumption that "staple exports are the leading sector of the economy and set the pace for economic growth"** *(Watkins, 1967:53).* **More fundamentally, it is a theory of "imperial relationships"; as Watkins argues, "What Innis was talking about is areas where the growth process is led by primary exports and the dominant elite within the colony is committed to exports"** *(1970a:40)*. As the nature of the export changes, so will the relationship of capital, social structure and stratification. Old staples were oriented toward merchant capital, e.g. fish, furs and timber, with short-term, high-turnover of capital; but new staples require more direct investment, e.g., pulp and paper, minerals, gas and oil, hydro, etc. **This change in the nature of staples and type of capital and organizational requirements is reflected in the different relationship Canada formed with the United States as opposed to the United Kingdom. It also establishes the central proposition of the metropolis/hinterland model; that is, an "imperial relationship".** As Archibald suggests, "The essence of the satellite-hinterland model is concerned with the development of the western economy as a total system" (1971:111). The hinterland/metropolis, center/periphery and satellite/metropolis dichotomies each represent a similar relationship, while the development of under-development model, although similar, builds in an emphasis on the relationship as a form of exploitation. Each model is based on relationships of power and class with each including a conflict of interest between the two analytical poles. Naylor posits that "while the internal dialectics of class and of capital accumulation may determine the nature of metropolitan expansion, the social structure and the structure of capital in the hinterland cannot be regarded as independent of the metropole. On the contrary, internal changes in the metropole are the immediate causes of socio-economic reorganization in the hinterland" (1972:2). It becomes necessary when dealing with imperial relationships to examine patterns of stratification and the form of capital structure in the center as well as the periphery. These relationships are of historical concern in Canada and remain a central issue in the current era of multinational corporations.

(...)

Notes

20. Canadian financiers have been successful in maintaining control of banking. Foreign control accounts for only .6 per cent of the assets and .5 per cent of the income of all chatered banks in Canada. This phenomenon will be developed in Chapter Four.

(...)

24. The concepts comprador and parasite are developed fully in Chapter Three and placed within the social and elite structures.

25. The hinterland/metropolis model has been developed by A.K. Davis in his paper "Canadian Society and History as Hinterland Versus Metropolis" (1971), Following A.G. Frank's thesis in "The Development of Underdevelopment" (1966) and *Capitalism and Under-Development in Latin America* (1967). E. Fossum develops the centre/periphery model in "Political Development and Strategies for Change (1970).

The Canadian Corporate Elite
An analysis of economic power

Wallace Clement (1975) *(selections* Chapter 2 and Chapter 4)

Chapter 2 *(excerpts)*
Socio-Economic Forces, Institutions & Elites in Canada's Development

(Emphasis by the Web Ed.)

(…)

X. Early Post-War Boom & the Rise of an Industrial Structure (1946-1951)
(...)

It is the economic elite which determines much of the making of history in Canada, Porter argues, because they, unlike the political elite which lacks continuity, have had continuous control of major economic enterprises which guide the making of history within a capitalist economy. It is the economic elite which makes decisions about development within Canada and it is this group which has chosen to base itself in traditional commercial pursuits while, in large part, ignoring the industrial potential of the country. **Porter's findings indicate that by 1951 corporate capitalism had become well entrenched in Canada and a financial elite still based in an upper class with strong political connections remained the keystone to the economic system. There are indications, however, that significant inroads had been made by U.S. industrialists into the manufacturing sector, traditionally the weakest sector as far as the Canadian economic elite were concerned. The period just following Porter's study confirms the trend to increased U.S. control of industry and also indicates it has made intrusions into the resource sector as well.**

Rapid growth of U.S. direct investment during the following two decades increases the number of U.S. dominated members of the elite and integrates to an even greater extent the Canadian economy within the continental context. These developments will be analysed in subsequent chapters, but for now, the historical processes discussed thus far will be summarized.

Opportunity and Condition in Canada's Development: A Summary to 1951

It was stated earlier that "Canada's economic development involves changes in the way the economy is organized and controlled; these structural changes recast opportunities available to Canadians for upward mobility and access to power". In the process of analysing Canada's economic history, information was gathered on changing structures and their implications for mobility. The social forces involved and their effects will be summarized before proceeding with developments of the 1950's and 1960's.

From the perspective of Europe, Canada was an extension of social forces operating there and, initially at least, the social structure was imported so the uppermost positions were firmly attached to the European ruling classes. This nullified the possibility of indigenous mobility to the top but did create a middle class within Canada to serve the foreign masters. Similar structures developed with such enterprises as the Hudson's Bay Company while others, like the North West Company, represented for the first time, indigenous structures and capital accumulation which allowed the emergence of an indigenous capitalist class. The capitalist class which developed was commercial, mediating between the resources of Canada and the markets of Britain. **Colonial power reinforced this commercial class to the exclusion of indigenous manufacturing. This is apparent in the powerful enclaves built up around the colonial offices in Canada which emergent commercial elites took advantage of by aligning themselves with these externally controlled powers**. Initially brought into being by external social forces, the indigenous commercial class eventually attained independence with changes in Britain and crystallized into the most powerful social force in Canada. Over time it solidified and thus limited mobility into its inner circles. **Emerging social forces such as small manufacturers were initially severely limited in their growth and later tended to be absorbed by either dominant Canadian commercial interests or emerging industrialists from the U.S. who themselves represented yet another new force. The traditional ruling class and the new industrial social force from the U.S. combined, around the turn of the century, to create the merger movement and concentration of entrepreneurial firms into**

corporate capitalism. The effect was increasing dominance by the traditional ruling class and, parallel to this, a strong and growing U.S. component in manufacturing. Consolidation of corporate structures resulted in a decline in both upward mobility and vertical mobility through immigration from outside North America.

During the course of development, since the turn of the century, the two main forces established were first, Canadian commercial interests who had expanded somewhat into manufacturing with the advent of corporate capitalism and, secondly, U.S. industrialists who grew in strength rather erratically over the next fifty years. Of the two forces, the Canadian commercial class was dominant; it was, however, a vulnerable class because its fortunes depended on external markets and it had failed to energetically enter into manufacturing and resource sectors. Having stultified indigenous entrepreneurs by dominating them, the commercial class set the tone for post-war development. The next two decades were to see the growth of the U.S. industrial social force on a scale qualitatively greater than ever before.

Notes
(...)

4. The development of strong mercantilists and weak industrialists are not unrelated. As Marx noted, "The less developed the production, the more wealth in money is concentrated in the hands of merchants or appears in the specific form of merchants' wealth" (1967:m, 326). Consequently, the imperial policy prohibiting exporting—the bases upon which an industrial system could be created—and facilitated development of greater wealth in the mercantilists' hands.

(...)

7. Although commercial activities remained dominant, Ryerson does mention some important indigenous industrial capitalists beginning to emerge as part of the "new ruling class." These included "the Gooderham's (distillers), the Molsons (brewers), Ogilvy's (flour mills), the Paxton's (Montreal Steam ~ Cooperage, 1857), Warden King iron founders (1852)" (1968:276).

(...)

12. As Naylor notes: "Industrial capital needs cheap raw materials, easy credit conditions, and low transport costs; merchant capital relies on regional scarcities of raw materials and goods to obtain high prices extracted through credit costs, transportation rates, and merchandise mark-up. ***Merchant capital, typified by a low ratio of fixed to circulatory capital, also needs rapid turnover, and cannot undertake long-term risky investment. It is, therefore, oriented toward abetting the quick extraction of staple output, rather than industrial processing" (1972:21)..***

* * * *

Chapter 4 *(excerpt)*
Structured Inequality: Dominant Corporations and Their Interlocks

(Emphasis by the Web Ed.)

Two major processes have been occurring throughout Canada's economic history and particularly during the past two decades. **Between 1951 and 1972, there has been a marked tendency for an increasing centralization and concentration of capital into fewer and larger firms, and secondly, an increasing penetration of the economy by foreign, especially U.S., direct investment.** These processes are associated with two social forces, one traditional and the other new. Traditional social forces are represented by the indigenous elite and are concentrated in finance, utilities and to a lesser extent, in specific parts of the manufacturing and resource sectors. **The new social force is represented by a comprador elite, the Canadian counterpart of a foreign based parasite elite, concentrated in manufacturing and resource sectors.**

Analysis presented previously illustrated that during earlier periods, particularly in the 1880's, the social structure was relatively open and recent immigrants could enter manufacturing. However, as accumulation and concentration took effect, financiers consolidated smaller firms thus closing avenues and limiting access. Since then, it has become increasingly difficult for other than the dominant Anglo upper class to enter the elite. The transformation of the economic structure, particularly since the 1950's with branch plants, has an effect on the elite structure. This new elite has concentrated in sectors traditionally ignored by the indigenous elite. **The comprador elite parallels rather than displaces the traditional elite since it remains sector-specific[25]. Since the traditional Canadian elite chose to gather its surplus in the role of mediator rather than producer, it has committed itself, and Canada with it, to an economy wherein U.S. industrial capitalists represent the leading industrial edge. The power of the traditional indigenous elite has not been eroded in the process; quite the contrary, it has further consolidated its position in traditional activities.**

Extremely high interlocks between the two major sources of capital, banks and insurance companies, as well as the extensive web between Canadian controlled companies illustrates that as the corporations themselves become more concentrated, so does the interaction between elites. **Indeed, the fact that 29 per cent of the elite hold 54 per cent of the positions, indicates that extensive elite interaction has been taking place among indigenous corporations in spite of the new social force represented by U.S. direct investment and the comprador elite.** It should not be surprising to find that avenues to the traditional elite have become closed in the process; it will be interesting to find out if the new social forces bring new social types. The next chapter will provide the answer.

Note 25. ***However, as was argued earlier, the parasite elite and its Canadian extension, the comprador elite, does prevent the emergence of an indigenous elite in manufacturing and resources. It does displace a portion of the indigenous elite by buying out established dominant corporations but this has largely occurred outside traditional areas of Canadian control. It is from the sectors owned by smaller manufacturers unable to compete in the international market that cries of nationalism can be heard since they are threatened by the onslaught of foreign dominants.***

The Canadian Corporate Elite
An analysis of economic power

Wallace Clement (1975) *(selections)*

Chapter Three
Parasites, Satellites and Stratification: Current Trends in Canada's Economy

(Emphasis by the Web Ed.)

EMBEDDED in the capitalist economic order of Canada and perpetuated through the sanctity of private property, the economic elite, during the post-World War II period, has concentrated its base of power and consolidated avenues of access into its inner circles. Important transformations have occurred in the economic structure and rapid industrialization has been evident but the elite remains as closed as it was in 1951, even tighter in some key respects. Contrary to liberal ideology which holds that greater mobility will characterize "post-industrialism", Canada remains capitalist, industrial and closed at the upper levels of corporate power. Many sociologists who celebrate existing structures, assert that corporate capitalism, with time and industrialization, will reduce inequalities based on ascription. Parsons, for example[1], argues that religion, ethnicity, regionalism, and social class based on ascriptive characteristics "have lost much of their force" *(1970:14-15).* Evidence now exists that this is not the case for Canada between 1951 and 1972. Although only the upper levels of corporate power are examined here, other recent studies find that increasing inequality is a general phenomenon penetrating the entire social structure.

Johnson has recently shown that income inequality between 1948 and 1968, and especially for the last ten years of the period, has involved a proportional shift of income distribution from the bottom income earners to the top. Over the twenty-year period, "the only people who have received a disproportionately increased percentage of national income have been the richest one-third of Canadian income earners. The lower income workers have been the sufferers" *(1973:5*). Recognizing that an overall shift has occurred in the amount of income received, Johnson focuses on the way this income is distributed and finds, for example,

> ["] in the 1958-1968 period, the bottom ten per cent of income earners suffered a loss in purchasing power of 35.6 per cent, while the second decile lost 6.6 per cent. On the other hand, the top deciles of income earners greatly increased their purchasing power. . . the top decile received, in addition to a 51.4 per cent increase in purchasing power, 72 per cent of all capital gains from the appreciation of share capital.["] (3-4).

Although members of the corporate elite are defined in terms of power and not by wealth, there exists a high correlation between the two in Canada. For example, a recent study of the presidents of Canadian corporations by Heidrick and Struggles, Inc. found that three quarters of the presidents in corporations with sales of over $100 million had salaries over $100,000 *(1973:6)*.

Enormous inequality in the distribution of income is not alleviated by the existing regressive tax structure, as a recent study by Maslove for the Economic Council of Canada discovered. His examination of taxation found that "the overall effective tax pattern is highly regressive to a Broad Income level of $5,000-$6,000. Taking Full Income as the base, regressiveness is evident up to an income level of $3,000-$4,000"[2] (1972:64). Given that 46 per cent of all family incomes in Canada are included in the under $6,000 income class for 1969, the regressive tax structure affects a very large proportion of the population. Contrary to the ideology of progressive taxation[3], the 8.3 per cent of family units which received over $15,000 income in 1969, paid a rate of only 1.4 per cent higher than the average based on Full Income and 8.4 per cent *less* than those earning under $2,000. Based on Broad Income, this highest group actually paid a lower proportion than did the average *(108-109, 128-129)*. ***In other words, the tax structure is hardly even proportional at the upper levels and not progressive. Maslove summarizes his findings as follows: "The extremely regressive nature of the tax system at the low end of the income scale and the lack of progressivity over the remainder is the predominant conclusion to emerge from this Study" (77).***

It would not be correct to argue that the wealthy are paying higher taxation rates through the corporate structure. In fact, the corporate contribution to the total tax revenue has been rapidly declining in recent

years. Deaton shows:

["] Between 1962 and 1970, the corporate share of all Federal income revenue fell by roughly 38% while the individual share of Federal income tax revenue increased by over 23%. With respect to all Provincial income tax revenue between 1962 and 1970 the corporate share fell by over 60% while the individual share increased by roughly 83%.["]*(1972:32).*

The burden of taxation has been shifted from the corporate world to the individual. Given that individual taxation in Canada is regressive, this represents a further step in the direction of inequality in favour of the rich and powerful.

The trends outlined here of an increasing disparity in income distribution, a regressive taxation system and an increasing shift in emphasis of taxation toward individual as opposed to corporate taxation combined with increasing closure of the corporate elite and increasing concentration of capital, to be discussed, provide a sense of uneasiness, not only about sociological theory but about the direction of Canadian society. **These developments, and others to be outlined, should lead to a basic questioning of the future in store for Canadians if substantial social change does not occur** *(the means by which this might be achieved are not hinted at in this text -- Web Ed.)*

Post-War Developments in the Canadian Economy

Based on the historical development of a strong indigenous financial elite and a weak indigenous industrial elite, the 1950's witnessed the development of foreign control in manufacturing and resource sectors. **Representing a strong social force in Canadian society, foreign controlled multinational corporations have a prominent place among dominant corporations. This serves to dislodge a portion of the indigenous economic elite and create a unique set of relationships among elites**. The expansive powers of European capitalism at an earlier period and U.S. capitalism in recent times, extend beyond national bounds and create a system of internationalized capitalism at once rooted in nation states and at the same time independent of them. The practice of trans-national corporations is not entirely new: in 1932 Berle and Means characterized the American Telephone and Telegraph Company as "an empire bounded by no geographical limits, but held together by centralized control" *(1968:5)*. What has recently changed is the scope and dimensions of their activities. For example, Berle has recently maintained that these corporate giants must be put in a framework "in somewhat the way we have heretofore thought of nations" *(1957:15)*, and Child characterizes corporations such as British Petroleum and Unilever as "supra-national organizations" whose "internal decisions may have as much impact on patterns of trade and international relations as decisions taken by governments" *(1969:1)*. **These developments have concerned Canadian politicians, as the following statement by John Turner, Minister of Finance! illustrates:**

["] Next to the nation state, the international corporation is today's most influential institution. It commands vast resources, stretches across countless boundaries, directs the fate of millions of world's citizens and carries a common culture which has been labeled "coca-colonization". We have no international institutions to control the power of the multinational corporation (Toronto Star, *October 3, 1968).*["] *(And, Turner seems to say, 'to the degree we control the Canadian state, we do not intend to seriously challenge that domination, either' -- Web Ed.)*

There has been great unease in Canada over what has been termed its "branch plant" condition or "miniature replica" economy. Decision making in foreign subsidiaries is undertaken by the parent corporation outside the nation where the branch plant is located and positions of power are predominantly held by non-residents *(Litvak & Maule, 1971:22f)*. Effects of this extend beyond the economy and into the political domain in terms of the types of economic policies which can be carried out *(Hymer, 1972:60; Behrman, 1972:143)*.

The way multinational firms are organized affects the power of branch plant boards of directors. For instance, CM. Harding, chairman and chief executive officer of Harding Carpets, director of Union Gas of Canada, Confederation Life and The Toronto-Dominion Bank, refers to the "invisible boards in Canada" when discussing the foreign parents of Canadian subsidiaries (McDougall, 1969:26). **Referring to proposed Ontario legislation governing Canadian representation on subsidiary boards, Mitchel Sharp, former Minister of Trade and Commerce and now Minister of External Affairs, suggests this is ineffectual, stating the federal government" was aware that a firm required to alter the composition of its board by law might seek out passive directors. And it was aware that key decisions are often taken not by the board of a subsidiary but by the board of the parent company itself"** *(Globe & Mail,* June 21, 1972). Earlier in the year, Sharp told the Vancouver Board of Trade that "Every Canadian should pray every morning and evening that the United States' economy will continue to prosper" *[Globe & Mail*, January 18,1972). Sharp's own career in the corporate world as vice-president of Brascan, and his position as a member of the political elite, make him qualified to understand where power is held.

With the prevalence of multinational corporations, a portion of the economic elite will be foreign to Canada's stratification system; this has not reached the stage where it could be said there is no economic elite in Canada but it is important enough to have a substantial part in stratification analysis.

Continental integration, particularly trade, had been strong since 1854 and it increased rapidly after the early 1920's but capital and resource integration took on a different face in the early 1950's, particularly under the guidance of the American import to the Liberal St-Laurent cabinet as Minister of Trade and Commerce and Defence Production, CD. Howe. **Possibly the most dramatic event illustrating the changing nature of Canadian-U.S. economic relations and CD. Howe's part in these developments is the natural gas/Trans-Canada pipeline deal he engineered in 1956. Guided by the Albertan and Federal governments, the privately-owned Trans-Canada Pipe Lines Company was formed to transmit natural gas from the west to eastern Canadian and U.S. markets**. **Although involving both a Canadian company and U.S. subsidiary, the project was controlled by Americans.** The natural gas supplier was also U.S.-controlled. The pipeline company requested a $275 million bond issue from the Canadian government to fund the project but there was strong opposition by the Conservatives, press and public as well as the Minister of Finance, Walter Harris. Howe, a powerful cabinet minister and active continentalist, decided to fight all opposition and began to mount an attack to push legislation through the House which would subsidize the project. Opposition was strong but the Liberals employed closure four times to push it through: "On six of the seven clauses proposed by the government at the resolution stage, the entire discussion consisted of 207 words uttered by Howe himself!" (Creighton, 1970:295). This was a project which Prime Minister St-Laurent had declared to be of such import as to rank with construction of the Canadian Pacific (293). In light of developments since, with natural gas[4] and the general pattern of U.S. ownership, control and use of natural resources, this deal must, indeed, rank high in historical significance. Creighton places Howe's role in the development this way:

["] The close integration of Canada into a North American economy dominated by the United States was, to a very large extent, a development of the two decades in which he *[CD. Howe]* had watched over Canada's economic progress; and Canada's new continental orientation was in effect a gigantic amplification of his own continental outlook.[“] (1970:294).

Supported, in large part, by wartime expansion and the program of industrialization introduced by Howe, the Canadian economy became totally integrated as the resource producing appendage of the North American economic system. Unlike an earlier debate over the CPR, there was no government opposition to building part of the pipeline through the U.S., nor was there opposition to the U.S. companies who owned the oil reserves of the west and proposed to sell the oil to the U.S.; on the contrary, it was the U.S. government which proposed quotas in 1958 but the Canadian government protested and was able to attain an exemption (Aitken, 1965:507). The U.S. controlled refineries in the east preferred to use Canadian oil as a reserve, first drawing on the cheaper and less stable "foreign" resources.

As a utility, policy on natural gas was quite different with the Canadian government deciding in 1953 that it would impose quotas on its export. Actually, the ruling was designed to insure that central Canada was well supplied with cheap natural gas essential to its industrial needs and not for the purpose of creating Canadian reserves *(Aitken, 1965:509)*. Using the method of a Crown Corporation to build the costly northern section of the gas line and subsidizing to the extent of 90 per cent of the western section, the government continued in the Canadian tradition of allying itself closely with business interests[5] and taking financial responsibility for transportation and utilities. The same is true of government ownership in air travel which C.D. Howe argued private enterprise could not afford to finance but from which they would greatly benefit (Rae & McLeod, 1969:172-173). Government continued its policy of providing the economic sub-structure upon which business could construct profitable enterprises and, in particular, profitable for central Canada. **Continental integration was continuing not only in ownership but also for trade. In 1950, two thirds of Canada's exports went to the U.S. and the same proportion of imports was received from there** *(Easterbrook & Aitken, 1956:576).* **The 1950's also represented a dramatic inflow of U.S. capital into Canada on a scale quantitatively greater than any previous period**. Between 1952 and 1960, U.S. direct investment rose by $6,017 million to total $10,549 million while U.S. portfolio investment increased by $2,703 million to total $6,169 million. This is compared to the $1,535 million in U.K. direct investment and $1,824 million in portfolio investment held by the U.K. in 1960. **It is this more than twofold increase in U.S. direct investment, carried mainly through multinational corporations, in the span of only eight years which had a great effect on the Canadian economy and social structure. More U.S. direct investment existed in Canada in 1960 than the total of all types of investment which had entered Canada up to 1952.**

This great influx did not occur because of capital shortage in Canada; indeed, in 1957 Canada had $4.6 billion invested in portfolio investment in the U.K. and $2 billion in direct investment—$1.2 billion of this in the U.S. *(Easterbrook & Aitken, 1956:573-574).* Between 1946 and 1958 domestic savings accounted for 75 per cent of all capital investment in Canada (574). The explanation lies as much with the type of traditional Canadian commercial capitalists as the aggressive industrialists of the United

States.*(i)*

(i) Concentration in the 1950's

In a study of corporate concentration based in the mid-1950's, Rosenbluth found there were about 100 corporations with assets over $100 million, 57 of which were non-financial (1961:198). These 57 corporations accounted for 38 per cent of the "'real" assets of all non-financial corporations but this percentage actually under-estimates concentration since private companies like Eatons and General Motors did not publish their financial statements (199-200). In the manufacturing sector, 28 corporations accounted for 29 per cent of the assets, again underestimating actual control concentration because subsidiaries were not consolidated with parents (200). Concentration was lower in retail, wholesale and service sectors (201). The CNR and CPR accounted for 89 per cent of railway revenue while their subsidiaries had 69 per cent of the assets of the air transport industry. Bell Telephone alone had 66 per cent of the operating revenue of all telephone companies while in oil pipelines, the Interprovincial and Trans Mountain companies had 72 per cent of the assets (201 -202). In finance the degree of concentration was high, as it had been for some time[6], with nine banks accounting for almost all the assets while the same number of insurance companies held 75 per cent of the total assets in that sector (202). Table 3 *(page 104 original)* indicates the high degree of concentration prevalent during this period in manufacturing and resources plus the extent of foreign, particularly U.S., ownership.

As this table illustrates, by 1954 the largest companies in both manufacturing and resources were fairly evenly split between U.S. and Canadian control, with about 10 per cent of the companies controlled elsewhere.

Rosenbluth illustrates the rapidity with which foreign, mainly U.S., control came to the manufacturing sector. While in 1946 only 35 percent of that sector was foreign controlled, by 1953 this had jumped to 50 per cent and to 56 per cent by 1957. In the space of 10 years, manufacturing had changed from predominantly Canadian to foreign dominated. The same pattern, although occurring more dramatically, was apparent in mining and smelting where foreign control represented only 38 percent in 1946 but 57 percent in 1953 and 70 per cent by 1957 (206). Of the 60 largest manufacturing concerns studied, Rosenbluth found 30 (50 per cent) were Canadian controlled but accounted for only 42 per cent of the investment while 23 (38 per cent) U.S. controlled corporations accounted for 52 per cent of the total investment. The four (6 per cent) U.K. companies represented only six per cent of the total investment for the year ending 1953 (205). This illustrates clearly that the U.S. controlled more than one half of the manufacturing in 1953 and they were much more concentrated than their Canadian controlled counterparts.

What should be noted is the dramatic change in the structure and concentration of the Canadian economy in the decade of the 1950's. John Porter's study of the 1948-1950 structure of corporate capitalism captured the situation just prior to a great surge of U.S. direct investment and rapid growth of the 1950's and 60's. **The period of 1948-1950** ***(****the immediate post -war period when US capital was heavily involved in reviving Europe through the Marshall Plan -- Web Ed.)* **was one of relatively high Canadian autonomy with about one quarter of the elite foreign controlled. With the rapid introduction of direct investment from the U.S. and the concentration of this investment in the largest manufacturing and resource corporations, an increase in the number of members of the economic elite which fall under U.S. dominance has occurred[7].** Low foreign investment in utilities, transportation and financial institutions suggests this section of the elite still remained predominantly Canadian controlled during the 1950's, similar to the situation existing when Porter conducted his study *(Levitt, 1970:61).* The decade of the 1960's saw the emergence in dominant form, of multinational corporations thus adding a totally new dimension to the study of economic elites in Canada.

ii) The Decade of the Multinationals (I960's)

Multinational corporations are a response to two developments characteristic of contemporary capitalism. The first is the marked tendency for accumulation and concentration of capital within the most advanced capitalist economies. **This is illustrated by the U.S. where there emerged several giant corporations which have at their disposal resources enabling them to carry out large-scale operations, frequently integrated vertically and horizontally. This first characteristic of corporate strength operates alongside a second development, interpenetration of the various national economies through the initiative of multinationals and the encouragement, or lack of resistance, by host countries.** Multinationals are not exclusively a phenomenon of the 1960's; it is only that they gained a predominant position during this period. The two characteristics of corporate concentration and strength, along with interpenetrating economies, highlight the Canadian situation in the 1960's. Multinationals did not initiate the interpenetration of the North American economy but have followed the path set by prior trade and

investment patterns.

It is the multinational corporation, as a way of organizing economic activity, which distinguishes the original mercantile period from so-called "neo-mercantilism"[8], a period like its namesake which is characterized by one nation state operating in another for the purpose of bringing resources and capital to capitalists of the home country. Another similarity to the earlier period is the close relationship between business and politics evident through state support of corporations with economic agreements and intervention by the state in support of imperialist pursuits. **Also characteristic of "neo-mercantilism" is asymmetry in "negotiations" between the political and economic elites of the home and host countries. Kari Levitt describes the U.S. appropriately as the "super-metropole" of "new mercantilism" and she draws an interesting comparison between the recent vintage and the original.**

["] In the new mercantilism, as in the old, the corporation based in the metropole directly exercises the entrepreneurial function and collects a "venture profit" from its investment. It organizes the collection or extraction of the raw material staple required in the metropolis and supplies the hinterland with manufactured goods, whether produced at home or "on site" in the host country *(1970:24)*.["]

Clearly, the multinational corporation is a much more efficient instrument of "neo-mercantilism" for the U.S. empire than was the charter company of the British empire. In each case, however, the instruments of empire have maintained close links with the financial interest of the home and host countries while at the same time generating a good deal of its investment capital from the earnings of its own operations. **The simple process of extraction and export of early chartered companies has been replaced by a more sophisticated system of branch plant operations, marketing in the host country and capital, as well as resource export to the home country.** Existence of branch plants and "on site" processing or production is important for a number of reasons, not the least of which is the creation of an indigenous labour force that can act as a taxation base for income tax purposes and, as an indigenous market for goods and services.

World Corporations

The top 100 industrials outside the U.S. are comparable with the top 150 U.S. industrials, as ranked by *Fortune* in 1971, with the 100th outside the U.S. corporation having sales of $818 million compared to 150th U.S. corporation having sales of $830 million. **In other words, of the top 250 world industrials in 1971, three fifths are U.S. based and two fifths are outside the U.S. Table 4 illustrates the distribution of the top 250 world industrials.**

TABLE 4

Top 250 World Industrials by Nation -- 1971

United States	150	
Japan	21	
Germany	20	
Brfitain*	19	
France	14	
Italy	4	
Switzerland	4	
Sweden	3	
Canada	**3**	*(Number One not Canadian-controlled -- Web Ed.)*
Australia	2	
Belgium	2	
Netherlands	2	
Neth.-Britain*	2	
Brazil	1	
Luxembourg	1	
Mexico	1	
Britain*-Italy	1	
TOTAL	250	

The three Canadian corporations in the top 250 world corporations are Alcan Aluminum (58/100 non-U.S.), Massey-Ferguson (84) and Canada Packers (91). The second hundred non-U.S. corporations includes a further seven Canadian corporations, as does the third hundred. **It is interesting to note that the largest "Canadian" industrial, Alcan, is not controlled in Canada since it has 51.2 per cent foreign ownership — 39.4 per cent of which is in the U.S. Similarly, the fourth largest "Canadian" industrial, The International Nickel Company of Canada, is 70 per cent controlled outside Canada with over 50 per cent of the total ownership located in the U.S.**

The volume of multinationals makes them a powerful force in the economy of the entire world. The

enormousness of these enterprises is illustrated by Rotstein:

["] The value of the production of all multinational corporations in countries outside their home base in 1967 exceeded $214 billion. ***This makes the aggregate production of these corporations abroad the third largest economy in the world, second only to the domestic economies of the United States and the Soviet Union (1970:211).["]*** *(The Russian socialist 'workers' state' having collapsed under the weight of the Stalinist bureaucracy in 1991 --Web Ed.)*

The power of multinationals comes not only from the size of the resources they command but also from the flexibility they have through world-wide operations. This means that investment decisions are made on the basis of "an overall assessment of the firm's international position" thus adding a dimension of flexibility absent in national corporations, not only in terms of investment decisions but also in dealing with politicians *(Block, 1970:152).* **An example of this is the ability of mining companies to shift operations to avoid taxes (***Information Canada, (1972:304).* The size and flexibility of multinationals combined with their close financial connections gives them added strength in capitalizing on credit opportunities, often to the detriment of small-scale national companies. **Draining capital reserves from financial institutions of both the home and host countries creates a situation which, in Block's terms, is "ironic" in advanced nations but "tragic" in under-developed nations**. The government study *Foreign Direct Investment in Canada* identifies two characteristics of multinational corporations which further adds to their strength relative to national corporations, particularly Canadian industries. **These are "distinctiveness" — the ability of multinationals to manufacture for a much larger market, both in the home and host nations — and "backward vertical integration" — the ability to take advantage of resources available in the host country because they "feed" the industrial capacity at home** *(32,45).*

Multinationals are not really so "multinational" at all; in fact, they are extensions of predominantly U.S. corporations into the world economy and are more accurately analysed as U.S. national corporations with international operations. Some recent data from the *Foreign Direct Investment in Canada* study illustrate this point:

["] (i) The book value of United States foreign direct investment increased from approximately $7.5 billion in 1929 to $70.8 billion in 1969.

(ii) Sixty-two of the top 100 United States corporations have production facilities in at least 6 foreign countries and 71 of the top 126 industrial corporations for which information is available are reported to have one-third of their employment abroad.

(iii) It is estimated that about 80 per cent of all United States foreign direct investment is accounted for by some 200 firms (e.g., General Motors, Chrysler, Ford, Singer, Esso, ITT, etc.) ["] *(1972:52)*.

The dominant position of multinationals also has an important effect in the area of trade. With multinationals, "trade" by-passes any notion of a market since the majority of transfers involve intra-company movements of raw materials from subsidiaries to parents. What once was a market situation is now an administrative exchange within one organization extending over national boundaries. **In 1969 exchanges between subsidiaries and parents accounted for 75 per cent of all "trade" conducted by foreign controlled companies in Canada** *(Information Canada. 1972:171).* **This is encouraged by the state through such agreements as the Auto Pact between Canada and the U.S. which explicitly sanctions the continental nature of the North American economy.** Other inter-governmental agencies like IMF, GATT, and IBRD reflect similar assumptions *(Godfrey & Watkins, 1970:223).* **Free trade is the economic philosophy of multinationals since it serves to open new markets and impose fewer restrictions and duties while protectionism remains the philosophy of smaller national industrial entrepreneurs.** This is most evident in the different positions advocated by two major economic associations in Canada: the Canadian Manufacturers Association advocates strong tariffs *(1969:207)* while the Canadian-American Committee strongly favours tariff elimination *(1969:210).* Regardless of which philosophy prevails, as the National Policy of Macdonald illustrated in 1879, tariffs do not change the nature of dependence, they only shift the location of plants. *("Only" shift the location (!) of the plants from Canada to ---to whatever lowest-wage nation -- Web Ed.)*

Canadian Capital and Concentration

It is often argued that multinationals bring extensive investment into capital poor areas, either geographically defined or developmentally defined, but the example of Canada suggests otherwise. Between 1960 and 1967, new capital inflow from the U.S. amounted to $4.1 billion but counter to this, outflows in the form of remittances to U.S. parents amounted to $5.9 billion, a net outflow of capital from Canada to the U.S. of $1.8 billion during this period *(Levitt, 1970:94).*

The argument that U.S. investment comes to Canada because capital is scarce in this country runs counter to the evidence. In addition to the net outflow of funds from subsidiaries to parents of $ 1.8 billion between 1960 and 1965, most of the foreign capital for expansion is obtained within Canada.

Capital sources for expansion of foreign controlled firms totaled $43.9 billion between 1946 and 1967 of which only $9.7 billion or 22 per cent was from foreign sources. For the more recent period of 1960-1967, this decreases to only 19 per cent *(Information Canada, 1972:25)*. ***This indicates that mostly Canadian capital, or capital generated from retained earnings by Canadian operations of foreign firms, finances large amounts of foreign investment.*** In addition, a good deal of Canadian capital, particularly that held by financial institutions, is invested outside Canada as portfolio investment. This has increased rapidly during the 1960's. "As recently as 1960, major Canadian financial institutions held only 10 per cent of their stock portfolios in foreign equities; the proportion had risen to 24 per cent by 1966" *(Levitt, 1970:139)*. Pension funds have also tended to place their portfolio investments in foreign firms, amounting to $600 million between 1962 and 1969 while during the same period mutual funds invested $1 billion abroad *(Information Canada, 1972:81)*. **These forms of investment do not involve Canadian control of foreign enterprises, rather they tend to be interest-bearing portfolio investments.**

Financial institutions in Canada have traditionally been oriented to long-term, stable investment and, therefore, tend to avoid "venture" loans to newly-emerging industry. In some cases the legal structure, particularly in the case of insurance companies, prohibits what may be called "venture capital". This problem has been compounded by the concentrated nature of Canadian financial institutions. The degree of concentration in finance is illustrated in Table 5 for the year end December 1969: *(See page 110 --data from* Foreign Direct Investment in Canada (*1972-101f) but no foreign-domestic breakdown in this table --Web Ed.)*

These figures actually under-represent concentration because of the relationships between corporations in these various sectors.

Concentration in Canadian industry is greater than their counterparts in the U.S.; for example, three quarters of the shipments from manufacturing firms originate in industries where eight or fewer firms represent 80 percent of the shipments while in the U.S. the corresponding figure is only 13.7 per cent *(Information Canada, 1972:217)*. This does not measure actual corporate concentration which is much greater since several firms are frequently owned or controlled by the same corporation, but it does give a point of comparison between Canada and the U.S. **A good deal of concentration in Canada can be directly attributed to the presence of U.S. giant corporations operating in Canada; for example, the average assets of foreign owned non-financial firms in Canada for 1971 was $9.3 million compared to $2.5 million for Canadian owned firms** *(CALURA, 1974:44, Statement 19)***. In manufacturing alone, even more startling differences exist with foreign firms in 1968 averaging $12.11 million sales and $11.44 million assets compared to corresponding figures of $3.03 and $2.58 million for Canadian controlled firms** *(Information Canada, 1972:214).* **In mining, foreign firms are about five times larger than Canadian firms (assets of $17 million compared to $3.8 million in 1967). Although foreign controlled firms represent only 11.5 per cent of all the firms in mining, they account for 60 per cent of the assets. Other resource sectors represent much the same situation:**

["] The big foreign controlled firms are particularly concentrated in petroleum and coal products (24 firms with average assets of $ 198 million), smelting and refining (28 firms with average assets of $86 million), primary metals (60 firms with average assets of $52 million), and metal mining (63 firms with average assets of $31 million). The eight largest firms in petroleum accounted for over eighty per cent of industry sales in 1968. The four largest firms in primary smelting and refining accounted for nearly ninety percent of production ["] *(224).*

Again it should be emphasized that concentration in terms of firms underestimates concentration in terms of control, with one corporation operating several firms in one sector and even several firms in more than one sector. **The point to be made, however, is that foreign firms tend to congregate in the most concentrated industries, particularly manufacturing and resource industries, and tend to be much larger than their Canadian controlled counterparts. As a government report on foreign investment suggests,' 'much foreign investment merely represents the extension of foreign oligopoly and world concentration into Canada" thus creating an investment situation unfavourable to indigenous capitalists** *(Information Canada, 1972:43).*

Table 6 representing U.S. direct investment throughout the world illustrates the central position Canada has in the U.S. empire, especially in the 1950's and 60's, surpassing U.S. direct investment in even Latin America by 1964. (Table 6 -- U.S. Direct Investment --1967 -- [in billions] Europe: 30%, Canada 31%, Latin America 17%, Other 22% --total 100%) *[Drache 1970;25; Turner 1970:5]*

The shift from under-developed areas of the world to the less under-developed by U.S. direct

investment suggests a further characteristic of multinational corporations: the tendency to enter manufacturing sectors rather than strictly seeking out natural resources. There tends to be a greater integration of resource exploitation and manufacturing production within companies. For example, in 1897 resources accounted for 59 per cent of U.S. foreign investment with only 15 per cent in manufacturing while in 1969, 42 per cent was in manufacturing and 36 per cent in resources *(Information Canada, 1972:52).* This reflects the more sophisticated organization of multinationals discussed earlier and their ability to tap local markets and local labour with branch plant operations.

Foreign investment in Canada during the 1960's followed much the same pattern as the previous decade, again with rapid inflow and concentration on U.S. direct investment. From 1960 to 1965, U.S. direct investment increased by $3,391 million while U.K. total investments increased by only $139 million. U.S. portfolio investment also increased in significant quantities to add $3,196 million during the period. **The proportion of direct to total foreign investments appears to have leveled at about 58 per cent, by far the highest proportion of direct investment in Canada's history. The percentage of total investment accounted for by U.S. investment also increased to a high of 79 per cent. It does not appear from these statistics that there has been any decline of U.S. direct investment; indeed, the tendency is for continually higher levels of both U.S. and direct investment.**

Changing Corporate Elite in the 1960's

(...)

Performing additional calculations on this data the following can be determined: corporations which are foreign controlled (over 50 per cent non-resident ownership) account for 62 per cent of the directors of corporations with assets over $25 million while only 38 per cent of the directors are in corporations controlled in Canada. This 38 per cent declines slightly if non-resident directors were excluded. ***These figures indicate that by far the highest proportion of directors in the largest mining and manufacturing corporations were controlled outside Canada as of 1962.*** This suggests that the proportion of directors controlled outside Canada had increased substantially since 1948-1950 when John Porter found that a total of 27 per cent from all sectors were foreign controlled (23 per cent U.S. and 4 per cent U.K.). Although the corresponding proportion for 1962 appears from these calculations to be 62 per cent, this over-states actual control because finance and utilities, two key Canadian controlled sectors, were not included in the CALURA study while they were in Porter's.

(...)

These data indicate that the degree of truncation which has occurred in the Canadian economy as a result of the introduction of multinational corporations has had a significant effect on the structure and distribution of members of the economic elite. By far the majority of top decision making positions in the largest mining and manufacturing corporations in 1962 were held by people who were either in non-Canadian controlled corporations or were not Canadian citizens or residents. ***In terms of the structure of the economic elite for these sectors during 1962, the majority held "comprador" positions and a minority were ' 'indigenous". Limitations on this kind of survey should be noted.*** Since it is a sample of corporations with assets of $25 million or more, the study does not indicate the different degrees of ownership by assets. There may be a substantial difference between corporations which have assets of only $25 million and a group with assets over $250 million[9]. Since data was collected on a corporation by corporation basis, no interlocking directorships are taken into account, so the number of directorships is not the same as the number of directors. There is no differentiation between different spheres of the economy; nor is there representation from the finances, utilities and trade sectors.

(...)

In spite of its limitations, the study does give an indication of foreign domination in major decision making posts in the surplus-generating sectors of the Canadian economy.

It is appropriate to group members of the economic elite who sit on boards of foreign controlled firms as comprador elites because their appointments are determined by the foreign parent and, with the centralization of decision making in multinational corporations, few decisions of consequence are made by board members of branch plants. This view is supported by the government study of *Foreign Direct Investment in Canada (1972:140)*, popularly known as *"The Grey Report"*. This study also notes a number of other situations which follow from Canada's particular position in the continental economic system: *"*under-development of the Canadian techno-structure" because much of the research and development activity is carried on in the U.S. *(p.297);* large payments made to non-residents for management fees ($72milIion in 1964), royalties ($69 million), rent ($49 million) and research and development ($34 million) *(p.203)*; **U.S. manufacturing establishments tend to be more capital intensive and create less jobs, for instance, U.S. manufacturers employed 30 per cent of the workers but held 60 per cent of the assets** *(p.214)***.**

One of the most interesting sociological reasons the government study gives for the high degree of

foreign investment is the "social rigidity" of the Canadian social structure. It notes that "Canadian society has tended, particularly in the past, to be dominated by an establishment based more on social connections than ability and providing only limited scope for social mobility" (*296-297)*. At another point, it explicitly mentions financial institutions as being particularly closed, even to other businessmen, and "restricted to individuals having the right social connections" (40). Finally, the authors of the study argue, implicitly using an elite model, that:

["] It was not very long ago that large portions of Canada's population were effectively frozen out of top jobs in Canadian business. Persons who were not of Anglo-Saxon extraction appear to have had more difficulty in penetrating the senior levels of many corporations. They often found it difficult also to obtain the support and assistance for their own smaller businesses from the large corporations, further stultifying their growth capabilities ["]*(139-140).*

Understandably, the government attempted to suppress the document before it was exposed through a leak to the *Canadian Forum* and published as "*The Grey Report".* From a sociological perspective, no more damning document of the Canadian social structure exists than the information contained in this report[10].

Canada in the 1960's witnessed a great transformation in its economic power structure. Primarily using the multinational corporation, U.S. economic elites have penetrated the Canadian power structure and created a distorted elite formation[11] at the top of the economic hierarchy. Three major elites have been identified for analytical purposes, although it remains to be demonstrated that they exist as distinct social groups. ***First is the indigenous elite,*** closely associated with dominant Canadian controlled financial, utilities, and transportation corporations, with smaller representation in the manufacturing and resource extraction sectors. ***Second, is a comprador elite,*** the senior management and directors of dominant foreign controlled branch plants, mainly in manufacturing and resource sectors. This group is subservient to the ***third group, the parasite elites*****, who control major multinational corporations which dominate important sectors of the Canadian economy through branch plants. They focus on resource and manufacturing sectors and operate their enterprises as part of an integrated organization.** The relative power of each group in this particular historical phase of Canadian development will be examined subsequently.

(iii) Overview and Implications for Analysis

(...)

It is within the North Atlantic triangle that Canada, as a national entity, must be analysed and it is first to the U.K. and later to the U.S. that Canada has had the role of an economic "satellite" in terms of trading natural resources and importing *manufactured goods.* In terms of investment, it may be accurate to describe Canada's relationship with the U.K. as 'satellitic' since it was U.K. portfolio investment which developed an indigenous *[Canadian]* economic elite. **However, the notion of "satellite" does not accurately capture the quality of Canada's relationship with the U.S. in the post-war period. The U.S. case involves direct control and development of a "satellite" elite within Canada but this elite has only secondary power within the overall multinational framework. *The powerful elite associated with U.S. direct investment is actually a foreign elite more appropriately described as a parasite[12].*** *(See Web Ed. quote from Lenin at end of this section...)*

The appropriation of capital and stultification of indigenous elites in the industrial and resource spheres has left Canada in a situation of dependence on the U.S. in these sectors and has not produced adequate returns to Canada from this asymmetrical relationship[13]. Although a satellite elite has developed with U.S. direct investment, the absence of power within this group creates a situation wherein major decisions in the area of resources and manufacturing accrue to heads of multinational corporations based mainly in the U.S. The removal of power from Canada, contrary to the U.K. era, follows from the type of capital investment and organization associated with multinational corporations. With direct investment, dependency and control increase over time, (whereas) in a parasitic relationship; it does not generate a situation where debts are paid off whereby indigenous control increases over time, as in portfolio investment.

The parasitic elite gathers in capital and resources from Canada and in turn is able to reallocate this surplus into further control. Parasitism is the *modus operandi* **of multinational corporations. They receive support from comprador elites from within the nations they operate in while at the same time preserving and increasing their advantage through maintenance of control and expropriation of capital to their elite in the center nation. Comprador elites are top ranking managers and directors of branch plants who follow directives and policies of multinational headquarters.** Their functions are mainly advisory and administrative since they manage and conduct the affairs of subsidiaries of parent corporations (branch plants being subsidiaries of parent corporations which are located in nations other than the parent corporation and, as such, subject to the same constraints as other

subsidiaries).

The origin of the term 'comprador' emerges from an analysis of China about 1850 where there was a "hybrid society" of the Imperial system and foreign powers which used compradors as a way of mediating, or as a "wedge" for their interests to conduct business within the country[14].

Elite formations in a situation of high foreign control include ["]parasite elites["] who control parent multinational corporations, ["]comprador elites["] who manage branch plants and an ["]indigenous elite["] which controls national corporations and may or may not be linked with foreign corporations, in addition to their primary activities. Further elaboration of this structure would exist where, for example, the indigenous elite is also itself multinational in character and acts as a parasite elite toward another nation. More complexity may also be introduced where the elite structure becomes international and members of the indigenous elite cross national boundaries and sit on the boards of foreign controlled parents.

Compradorization creates a situation where capital, entrepreneurial talent and investment potentials are eliminated from the "host" country with the effect of decreasing, rather than increasing, autonomy with development. British investment, since it was portfolio, increased autonomy over time and permitted the emergence of an indigenous Canadian elite. U.S. investment has reversed the development toward autonomy and instead has brought Canada into a situation of greater dependency than during previous periods. This confirms Innis' perceptive statement that "Canada moved from colony to nation to colony" *(1956:405).* In terms of the power to decide about the allocation of resources in Canada, there has been a regression to the under-development of decision making (although not total underdevelopment of "material" well-being)[15], with loss of control over the future of development, over stability built on an indigenous base, and over the retention and allocation of surplus.

It should be emphasized that these remarks refer exclusively to those sectors of the Canadian economy dominated by multinational corporations, particularly natural resources and manufacturing, and not to the other sectors, such as finance, transportation and utilities which were once associated with U.K. portfolio investment but are now controlled by indigenous elites. This reflects the change from mercantilism with the rise of industrialization and the introduction of branch plants into manufacturing. It is important to examine U.S. control but it is equally important to locate precisely where this control is dominant, as in oil and automobiles. **The fact that there is a core of Canadian capitalists who are powerful within Canada and world capitalism as a whole — such as Canadian financial capital in banks and insurance companies but also in utilities such as Brascan and even some manufacturers like Massey-Ferguson or Moore Corporation — suggests that compradorization has occurred alongside the traditional elite rather than displacing it** *(Note that other studies in this series demonstrate the relative insignificance of Canadian banks* in toto*, as compared to US and other major imperialist countries, along with "major" Canadian-owned manufacturing. As well, since 1975 many if not most of these "jewels" in manufacturing have disappeared through mergers or by foreign acquisition, US or other -- Web Ed.)*

Early mercantilism was also associated with parallel economic and political penetration thus being more "formal". **As Watkins argues, "neo-mercantilism" has a different character suggesting "a new colonialism that replaces formal empire with informal empire and tolerates political independence but not economic independence . . . informal empire turns formal, however, when the chips are down. That's what the U.S. marines are all about in this hemisphere"** *(1970:134)***. One of the greatest advantages to multinational corporations is Canada's receptiveness to their presence and the lack of hostility they encounter in terms of expropriating natural resources** *(Canada has its own militarized police in any case ready to enforce their mission embracing continentalism -- no need for the U.S. 'Marines'! -- Web Ed.)*

As argued in Chapter One, the nature of capital, the form of organization used to organize production, and the social structure, are each related to one another. To examine patterns of stratification, particularly at the elite level, requires an analysis of the capital formations, organizational forms and social structure in an historical perspective. Canadian entrepreneurs evolved from the British mercantile empire into a position of relative autonomy, although there has been heavy reliance on staples designed for the industrial centers of the U.K. and U.S. Interlock within the North Atlantic triangle in the interim between old mercantilism and "neo-mercantilism" was based on trade with mostly portfolio investment providing capital requirements and relatively low levels of direct control from outside Canada. **This permitted and encouraged the development of an indigenous economic elite, an elite which traditionally has centered its resources in commercial activities such as transportation, finance and trade, while virtually ignoring the industrial development of the country.** The indigenous industrial elite which has emerged since Confederation did not enjoy a position of power like the commercial elite, nor did it enjoy the benefits of government support to the extent the established traditional elite did. Indigenous industrialization experienced periods of boom during the first and second wars, but it was not sufficiently developed to

withstand the brunt of "neo-mercantilism". Emerging as the most powerful capitalist nation after the Second World War, U.S.-based industrial interests were able to follow the path of earlier penetration and establish branch plants within Canada to capture large parts of the Canadian market and buy out many existing firms. The fate of the industrial sector followed the prior course of resource industries which were integrated with the U.S. This further weakened the Canadian industrial elite, never a very powerful group, but representing the potential for an indigenous industrial system.

The traditional commercial elite has never been threatened in its stronghold by the burst of U.S. direct investment and, in fact, enjoyed a favourable position of servicing[16] the industrial boom stimulated by U.S. controlled industrialization.* Even in the few instances where their autonomy has been challenged, as in the Mercantile Bank affair and insurance company take-overs in the early 1960's, close alliance with the state allowed them to capitalize on this position and brought pressure to bear for legislation insuring their protection. With U.S. dominance in resources and industry emerged an elite centered in these areas which was subservient to the needs and demands of a foreign elite. ***Using natural resources and capital withdrawn from Canada, this parasitic elite reinforced its position of dominance in the capitalist world and particularly in Canada. The comprador elite is composed of both foreign nationals and others drawn from within Canada.*** This elite is most aptly described as management in terms of its function and is not the decision making and policy-setting sector of the elite[17], a function reserved for the parasite elite. The comprador elite is continentalist in its orientation, occasionally having career patterns which take them into dominant positions within the foreign elite.

**'Canadian strongholds' in banking however appear highly compromised by the massive interpenetration of US capitalists and executives on the boards of these banks – See Dowson: 1973 'The Chartered Banks' LSA bulletin, on this website – Web Ed.)*

The fragmentation of the elite which has resulted does not necessarily breed conflict. On the contrary, the position of the traditional indigenous elite is reinforced by the industrial development occurring with U.S. direct investment. It is the smaller Canadian entrepreneurs based in industries which have not established themselves as dominant who feel the squeeze of U.S. penetration. **They find themselves in a position of conflicting interests because of their weaker capital and market position. Unable to maintain their autonomy, this group is frequently forced to sell out their interests and join the ranks of the comprador elite.**

In the meantime, other interests, not as well developed as the predominantly Anglo-Saxon elites, are still struggling to participate in economic decision making. These include, for example, French-Canadians, members of "third" ethnic groups, people from the underdeveloped regions of Canada such as the Maritimes and the West, and other members of regional and social hinterlands, not to mention the majority of the population not from the upper class. The following chapter will analyse the structure of corporate capitalism in Canada for 1972 and examine the interlocking relationships between dominant corporations. Later chapters will then analyse the economic elite which controls these corporations.

Notes

1. 'For an excellent summary and discussion of similar positions taken by a variety of sociologists, see John Goldthorpe's, "Social Stratification in Industrial Society" (1966).

[2]According to Maslove's definitions, "Broad Income is a pre-government comprehensive income concept. It is equal to Full Income minus transfer payments. Thus it approximates what income would be before taxes and before government expenditures." Full income "is the sum of family money income plus certain nonmoney (imputed) income components. Included in the latter are such items as the rental value of owner-occupied dwellings, food and fuel produced and consumed on farms, and imputed interest. Corporate retained earnings and the unshifted portion of the corporate profits tax are also included because, if corporate taxes are deemed to be paid by individual shareholders, then, for consistency, the corresponding corporate earnings must be included in their incomes. Finally, included here are supplementary labour incomes minus the portion of social security contributions that is shifted to consumers" (1972:11-12).

[3] A progressive taxation is where the higher the income the higher *the rate* of taxation. In Canada the overall tax structure is regressive at the under-$6,000 level (that is, the lower the income the higher the taxation rate) and only proportional above $6,000 (the same rate over a range of incomes). Maslove's study was "designed to bias the results in favor of a progressive system," thus understating the actual regressiveness (1972:77-78).

[4]See, for example, Laxer (1970) *The Energy Poker Game. (Out of print by 2015 - Web Ed.)*

5.The movement between business and industry at the upper levels is common for men like Louis St-Laurent, Mitchel Sharp, Robert Winters and James Richardson but the zeal of C. D. Howe seems to outshine them all; at his death in 1961 Howe was "chairman of Ogilvie Flour Mills Ltd. and a director of the Bank of Montreal. He also held directorships in National Trust Co. Ltd. and the Crown Life Insurance Co., was chairman of Price Brothers & Co. Ltd.,

a director of Dominion Tar & Chemical Co., Ltd. (the latter a Taylor-Argus company, and the Taylor interests having a substantial holding in Price Brothers), Atlas Steel Ltd., Rio Tinto Mining Co. of Canada Ltd., Hollinger Consolidated Gold Mines . . . (etc.). . . . Howe also held directorships in the following U.S.-controlled firms: Aluminum Ltd., RCA Victor Co. Ltd., and two New York-controlled investment trusts: Canadian Fund Inc. and Canadian Investment Fund Ltd." (Park& Park, 1962:58-59).

[6]See Appendix III.

[7]In Chapter Four it will be shown that foreign control has increased from 27 per cent of the elite positions in 1951 to 40 per cent in 1972. It will also illustrate the concentration of foreign control in manufacturing and resources and Canadian control in finance and utilities.

[8]"Neo-mercantilism" is sometimes used to describe the political economy of multinational corporations but a distinction between the current stage and its namesake lies in the creation of an indigenous labour force since the earlier form was primarily in the sphere of circulation while the latter is in production. This has important implications for the structure of the labour force which develops. Leo Panitch has made this point privately.

[9]In Chapter Four it will be shown that the minimum asset size of dominant corporations in 1972 was about $250 million.

[10]In a rather strange way, Neil McKinnon, chairman of the Canadian Imperial Bank of Commerce supports the view that the tightly controlled financial structure in Canada has been the main source of capital. "Canada has always been under-capitalized because most of the industrial development here took place during and after World War II, when the welfare state had started. In the U.S., on the other hand, most of the growth took place during the 19th century when large pools of private capital could still be collected. Here, the large pools of capital have had to be provided by financial institutions, particularly the banks, rather than individuals" (quoted by Newman, 1972a:23). McKinnon's analysis that "the welfare state" somehow has confiscated the pools of capital held by Canadian capitalists is subject to question but his general point that the banks have been key institutions for capital sources is well taken.

[11] "Distorted elite formation" in the sense that typically, the economic elite would be contained within a national economy and controlled by citizens and residents of that nation.

[12]Parasitism, according to the dictionary, is "a parasitic mode of life or existence" with a parasite something which receives advantage from its "host" "without giving any useful or proper return" thus reducing the host's potential for development. Typically, a parasite does not eliminate its host; if it did, it would destroy its own source of nourishment. In a curious way a parasite is dependent on the survival of the very thing from which it takes for its own well being. **What is important for present purposes is that this concept describes a particular relationship, a relationship where actions of one party serve its own self-interest to the detriment of other parties. It will be argued that this relationship most aptly describes how multinational corporations relate to structures of decision making and potential for development.**

[13]Because the parasite elite draws more from Canada (revenue, resources, decision making power, etc.) than it puts in, does *not* mean all groups are adversely affected. Indeed, the financiers gain through interest on bonds and their portfolios, transportation interests gain to the extent their services are used as do those in utilities. **What is lost must also be measured in terms of *potential.* For example, those in manufacturing lose potential markets and "room" for expansion and the possibility that indigenous interests would emerge is reduced. In resources, the expansion potential is lost, moreover, the Canadian nation-state loses in terms of depleting resource reserves and Canadian workers lose in terms of potential jobs in refining and manufacturing when raw materials are shipped outside for these operations.**

14. Moore says the following of China: "a new hybrid society had already emerged in which power and social position no longer rested securely in the hands of those with a classical education [the Imperial system]. **After the conclusion of the Opium War in 1842, the *compradores* spread through all the treaty ports of China. These men served in a variety of capacities as intermediaries between decaying Chinese officialdom and the foreign merchants-. Their position was ambiguous. By shady methods they could accumulate great fortunes to live a life of cultivated ease. On the other hand, many Chinese condemned them as servants of the foreign devils who were destroying the foundations of Chinese society" (**1966:176).

[15.] If the "de-industrialization" thesis of the Waffle is correct, then there would be a decline in the number of jobs and standard of living in Canada. The "de-industrialization" thesis is that in recent years there has been a withdrawal of U.S. manufacturing plants from Canada to the U. S. The evidence to support the thesis is only slim at this point, restricted to a small region of Canada, and not sufficiently developed to be considered a trend. See *(Canada) Ltd., The Political Economy of Dependency* (1973) *(of which excerpts are included in this series -- Web Ed.)*

[16.] In addition to providing capital backing to foreign firms — both parents and branch plants — the

indigenous elite has been active in supplying utilities such as natural gas and hydro electric power, providing extensive transportation services such as ship lines and railways, communications networks such as telephones and telecommunications, not to mention the services of trust and mortgage companies.

[17.] The comprador elite is created either by development of new production facilities in Canada which are foreign controlled or by buying out existing firms. If the second occurs, the existing owners are then displaced and make a ready pool of managers to take on the role of compradors. This process is the same whether it occurs across boarders or within nation-states. As Marx observed, "After every crisis there are enough ex-manufacturers in the English factory districts who will supervise, for low wages, what were formerly their own factories in the capacity of managers for the new owners" (1967:m, 387).

(Web Ed. – Excerpt from:] IMPERIALISM AND THE SPLIT IN SOCIALISM – Lenin: "Marx-Engels-Marxism," FLPH, 1953, p. 391 (See W21- Nationalism - Marxist classics (...) In each of the four leading imperialist countries — England, U.S.A., France and Germany — capital in securities amounts to one hundred or one hundred fifty billion francs, from which each country derives an annual income of no less than five to eight billions. **Thirdly, capital export is parasitism raised to the second power.** Fourthly, "finance capital tends towards domination, not towards freedom." Political reaction all along the line is a characteristic feature of imperialism. Corruption, bribery on a huge scale, and gigantic frauds of all kinds. Fifthly, the exploitation of oppressed nations that is inseparably connected with annexations, and especially the exploitation of colonies by a handful of "Great" Powers, transforms the "civilized" world more and more into a parasite on the body* of hundreds of millions of uncivilized nations. The Roman proletarian lived at the expense of society Modern society lives at the expense of the modern proletarian. Marx specially stressed this profound observation of Sismondi. Imperialism somewhat changes the situation. A privileged upper stratum of the proletariat in the imperialist countries lives partly at the expense of hundreds of millions of members of uncivilized nations.

It is clear why imperialism is moribund capitalism, capitalism in transition to Socialism: monopoly, which grows out of capitalism, is already capitalism dying out, the beginning of its transition to Socialism. The tremendous socialization of labour by imperialism (what the apologists — the bourgeois economists — call "interlocking") means the same thing.

Advancing this definition of imperialism brings us into complete contradiction to K. Kautsky, who refuses to... (end of excerpt – emphasis by the Web Ed.)

The Canadian Corporate Elite
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Wallace Clement (1975) *(selections)*

Chapter Five
Inequality of Access (I): Careers, Class Origins & Avenues to the Economic Elite

(All emphasis by the Web Ed.)

(...)

(vi) Comprador Elites and Mobility

In Chapter Four, it was shown that only 53.7 per cent of the positions in dominant corporations are controlled by persons born in Canada while 29.2 per cent are U.S. born or controlled, 10 per cent U.K. and 7.1 per cent other. It was emphasized that this referred to positions and not to people. In other words, these proportions are reflective of the extent of structural compradorization since a member of the indigenous elite may, and often does, sit on the board of branch plants. For example, Neil J. McKinnon sits on the boards of Ford Motor Co. of Canada and Falconbridge Nickel Mines, both of which are U.S. controlled. Does this mean that he is a comprador elite because he holds comprador positions? Not in this case, because his main corporate affiliation is as chairman of the Canadian Imperial Bank of Commerce as well as being a director of Canada Life Assurance Co., Brascan, Trans Canada Pipe Lines and MacMillan Bloedel. Because of the practice of indigenous elites often holding comprador positions simultaneously with indigenous positions, there will be a difference between structural compradorization and individual compradorization [*Note R.Dowson's critique of the characterization of McKinnon:*
"Clement employs the word 'comprador' to described that section of the elite that serves as agents of US ownerships. This deteriorates into a self-defined status when he accepts elite members, holding directorships in both US and indigenous controlled corporations, at their own word as to their "principal occupation." It is no more satisfactory when he takes it upon himself to allocate Neil McKinnon to the indigenous Canadian camp, though he is on the board of directors of the US-owned Ford and Falconbridge giants, because "his main corporate affiliation is, as chairman of the Canadian Imperial Bank of Commerce..." from "Myth and reality of class in Canada" -- See 1975-Forward-RD]

The concept [']comprador elite['] is operationalized as those members of the elite who identify their main corporate affiliation[16] as a Canadian subsidiary of a foreign controlled parent, or in a few cases where the "principal occupation" was other than corporate, as in the case of a law firm, the designation was based on which country of control the individual held the majority of his dominant directorships.

When all the Canadian born members of the economic elite are analysed, it is found that 76 per cent are indigenous Canadian elites, 15.8 per cent U.S. controlled comprador, 5.6 per cent U.K. and 2.6 per cent "other" comprador. Once again, there is strong evidence that the indigenous economic elite is strong and not totally dependent on foreign capitalists. While only 53.7 per cent of the positions based on birth and control are Canadian, 76 per cent of the Canadian born elites are indigenous and have an autonomous Canadian base of power. Since it is important to establish some direction to the process of individual compradorization, the age of the two elites will be used to establish this direction.

When the various elites are divided by age as in the Table 25, an interesting pattern emerges. The oldest group has the highest indigenous elite but the middle group is the highest comprador, a drop of over

10 per cent from the older group; the youngest group begins to reverse the age relationship. **The increasing compradorization of the economic elite is represented by the shift from the oldest to the middle group but this general trend is counteracted by the youngest group which has the highest degree of inheritance and consequently enters the elite earlier.**

TABLE 25

Age Distribution of the Canadian Born Indigenous and Comprador Elites, 1972

	Year of Birth & Age			
Elite	*Before 1905 (over 65)*	*1905-1920 (50-65)*	*After 1920 (under 50)*	*All*
Indigenous	84.9%	73.2%	76.0%	*16.1%*
Comprador				
— U.S.	12.6	17.0	15.8	15.5
— U.K.	1.7	5.6	5.6	4.9
— Other	.8	4.2	2.6	3.0
TOTAL	100%	100%	100%	100%
N	(119)	(358)	(196)	(673)

In spite of the high degree of inheritance within the youngest age group, there are still 8.9 per cent more comprador elites in this group than in the oldest while the 11.7 per cent difference between the middle and oldest remains the greatest gap. **Although the overall trend in the past twenty years has been toward increasing compradorization of the Canadian economic elite, there still remains a strong and vigorous core — as evident in the existence of the youngest group — of indigenous capitalists.**

As Table 26 demonstrates *(page 204),* there is a very interesting and important difference between comprador and indigenous elites with respect to class origin. While only 17 (or 10.6 per cent) of the comprador elite had fathers who were in the economic elite for an earlier period[17], 175 (or 34.2 per cent) of the indigenous elite have the same advantage. Approximately 20 per cent more of the indigenous elite are upper class and about 20 per cent more of the comprador elite are middle class. **In other words, just over half the comprador elite are middle class in origin compared to only 30 per cent of the indigenous elite. Comprador elites are both more middle class and more "meritocratic" than indigenous elite members. At the lowest level there are actually more indigenous Canadians than comprador, accounted for predominantly by Canadian institutions like banks which have tended in the past to recruit some of their executives from the working class.**

Compradorization has permited some members of the middle class, but not the working class, participation in the arenas of power; this is unlike the indigenous elite which has higher class origins and tends to exclude even the middle class. The process of compradorization is primarily a phenomenon of the middle class and does not have the same extent of participation from the upper class as the indigenous elite. Although the comprador elite has power within the Canadian context, or at least represents the power others exercise in Canada, within the continental or North Atlantic triangle framework this so-called elite is without power. The middle class members of the comprador elite only have the power of an agent since they are subject to the dictates of the parasite elite. Just as the operators of the fur trading posts may have been powerful vis a vis the native people, they were not powerful vis a vis the governor of the Hudson's Bay Company. The "power" of the middle class in the board rooms of branch plants may in fact be a sham, masking this class's participation in the economic field. The numerous lawyers and technicians who make up the majority of the comprador elite are in fact without power when viewed in a larger framework which includes the North Atlantic triangle.

Two important processes concerning compradorization are occurring. First, structural compradorization is occurring much more rapidly than is individual compradorization. While 46 per cent of the dominant positions based on foreign control and birth are comprador, only 24 per cent of the Canadian born elite are comprador. In other words, comprador positions are filled by both comprador elites and indigenous elites. While it was demonstrated in Chapter Four that foreign controlled firms are not interlocked as tightly as Canadian controlled ones, they were nonetheless substantially related through interlocks. Moreover, it was demonstrated in Table 23 that Canadian controlled companies provided three quarters of all the corporate career avenues into the elite. **While it would not be correct to say the upper class has "captured" all the comprador positions, there is clearly a tendency to ally themselves with foreign capitalists by sitting on the boards of branch plants.** The second tendency is the more open mobility to comprador positions than indigenous positions. As has been demonstrated, the comprador elite is much more likely to be middle class than is the indigenous elite. Two developments have been simultaneously occurring with compradorization. On the one hand, many of the indigenous elite have taken on comprador positions in addition to their Canadian controlled ones; on the other hand, "new recruits" to comprador postions, particularly to executive posts, has opened an avenue for the middle class. The emergence of a new comprador structure has meant that some new social types have been allowed to emerge while at the same time the traditional indigenous elite has entered into an alliance with this new social force.

While there are new social forces in operation which tend to bring with them new social types, as can be detected when the comprador elite is separated from the indigenous elite, the old traditional established social force is also moving into these new positions thus nullifying in large part the gains which would have been made in terms of mobility if the two structures (the traditional indigenous one and the new comprador one) had been kept separate. The effect of an alliance between them is to limit the new mobility possibilities opened by the new social force. Before moving to the last section of this chapter on size and concentration within the economic elite, the relationship between kinship and class will be discussed.

(...)

(ii) Elite Divisions by Activity

(...)

(...) There are also at least 24 members of the multiple directorship group who have directorships on foreign boards. This evidence proves that the core of Canadian capitalism is not weak, nor is it unable to operate outside Canada in the rest of the capitalist world. **The periphery of Canadian capitalism has been sold out to foreign, particularly U.S., capitalism but this has had a greater effect on the power of the middle class than on the upper class, since it was illustrated earlier that compradorization is primarily a middle class phenomenon.**

(v) The Elite as a Changing Group

(...)

Attention turned to five corporate sectors to analyse which had provided mobility into the elite and who controlled them. It was found that the main avenue was through Canadian controlled corporations in the finance sectors and that few had actually made it into the elite by way of foreign controlled firms. The only notable exceptions were a total of 15 per cent who made it through U.S. controlled resource and manufacturing corporations. An analysis of corporate positions found that there was stratification within the elite itself with few inside directors without upper class origin able to break into the executive ranks or the circle of outside directors. **Mobility was examined explicitly in terms of the indigenous comprador dichotomy illustrating that compradorization was primarily a phenomenon which affected the middle classes and had little impact on the core of the indigenous elite which remains firmly rooted in the upper class. The parallel comprador elite did indeed provide mobility for a number of middle class Canadians but many of the positions were also occupied by the traditional upper class**

indigenous elite who had entered into an alliance with foreign capitalists. It was argued that inheritance was a major means of perpetuating class privilege by illustrating that more than one quarter of the present elite had inherited important positions from previous generations. It was also illustrated that current kinship connections are prevalent within the elite, serving to unify it beyond its already concentrated state.

(...)

NOTES

(...)

[2]Biographical sources include *Canadian Who's Who*, various years; *Who's Who in Canada,* various years; the *National Reference Book,* various years; *Biographies Canadiennes Francoises,* various years; *Who's Who in Canadian Jewry,* 1965; regional *Who's Who's; The Canadian Directory of Parliament, 1867-1967;* American and British *Who's Who; The Canadian Who Was Who, 1875-1937; Poor's Register of Corporations, Directors and Executives; A Cyclopedia of Canadian Biography,* 1919; *Macmillan Dictionary of Canadian Biography,* 1963; *Directory of Directors,* various years; *Morgan's Canadian Men and Women of Their Time,* 1912; *Encyclopedia Canadiana;* newspapers and magazines, particularly the *Globe & Mail* and *Financial Post.*

(...)

[10]Uncles were used as equivalent to fathers in cases where the position of the uncle provided an indication of the family origin. For example, the case of Henry Borden, whose uncle was used as being equivalent to having a father in the political elite. "Borden is a nephew of Sir Robert Borden, who was like a father to young Harry, and in 1918 the then Prime Minister of Canada took the boy to the Imperial War Conference in London to meet the British elite" *(Last Post,* 1973:39). Henry Borden is now a member of the executive committee and director of both Brascan and Bell Canada as well as director of IBM Canada, Massey-Ferguson and Huron & Erie Mortgage Corp., all of which are dominant, in addition to being chairman of the Canadian Board of Norwich Union Life Insurance and a director and member of the executive committee of Brinco. His meeting with the British elite with his Prime Minister uncle seems to have served him well.

(...)

[17]Six sold out family firms and joined the comprador ranks while the other eleven have taken on executive positions similar to those held earlier by their fathers.

[18]See Appendix X, where the interlocks between the economic elite and 175 small companies are examined. It is shown that the elite controls 829 of the 2 066 (or 40.6 per cent) highest positions in these firms.

[19]The multiple directorship holders have now been calculated from porter's original data of the 203 multiple directorship holders in 1951; adequate biographical data was available for 193, representing 95.1 per cent coverage.

[20]Prior to the Canada Development Corporation buying shares.

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Chapter Ten
Public and Private Power in a Liberal-Democracy
(All emphasis by the Web Ed.)

(...)

(ii) Canada in the Continental Context

The question of boundaries was raised at several points earlier and it was argued that Canada's economic development was best understood within the "North Atlantic triangle". In the post-war era, this has shifted primarily to the continental context. There are a number of indicators that Canada is actually part of the North American economy rather than self-contained within the Canadian nation-state. In other words, Canada's economic and political boundaries do not always coincide.

To undertake an analysis which places Canada in the continental context requires repeating the procedures used here with corporations operating in Canada for the United States[7]. This would allow an identification of the U.S. parasite elite and it would be possible to place this section of the economic elite within the context of the total U.S. economic elite. Moreover, it would then be possible to analyse the opportunities for mobility by Canadians within the parent multinationals with dominant subsidiaries operating in Canada. This would be important for specifying more clearly the relationship between comprador and parasite elites. Equally important is placing the indigenous Canadian elite within this continental context. For instance, it was shown that at least 15 of the top 80 Canadian born elite sit on the parent boards of multinationals, between them holding some 26 directorships in these foreign corporations. This type of study would also be able to place the 195 U.S. resident directors who hold directorships in dominant corporations operating in Canada.

Some of the findings from the present study suggest the importance of extending the analysis into this larger framework. **The process of structural compradorization has been proceeding steadily over the last twenty years. Indeed, it was found that 29.2 per cent of the dominant positions in the Canadian economy are either within U.S. controlled subsidiaries or held by persons born in the U.S. The evidence from the present study illustrates that the Canadian indigenous elite have had an active role in U.S. controlled companies operating in Canada.** ***While 29.2 per cent of the dominant positions are U.S. comprador, only 15.8 per cent of the Canadian born elite are. "Conversely, three quarters of the Canadian born elite are indigenous with autonomous Canadian controlled bases of power. In other words, the Canadian indigenous elite is also recruited to sit on U.S. controlled branch plants.*** **A good deal of evidence was provided which illustrated that this indigenous elite remains viable. For instance, the proportion with their main careers in family firms has increased over the past twenty years, the youngest group of elites are more likely to be indigenous than the middle age group, and almost 20 per cent fewer of the comprador elite are of upper class origin with half the comprador elite coming from the middle class while almost two thirds of the indigenous elite are upper class, with this rising to almost three quarters for the multiple directorship holders.**

The Canadian economic elite is, however, a specialized elite. As was documented, the traditional elite has chosen to center itself in transportation, utilities, finance and the mass media. In so doing, it has stifled the development of indigenous social forces in most manufacturing and resource activities—the sectors which are actually engaged in the creation of surplus in a capitalist society. In the process it has become allied with foreign capitalists in these surplus-creating sectors. The scope of the traditional indigenous elite's power within the continental context remains to be examined but it should not be surprising to find that they have an important place in this larger context. Their viability within the Canadian context, as an expression of the upper class, has been illustrated but if they do not have a powerful position within the continental context they are vulnerable to U.S. industrial capitalists. ***This rather unique development of elite configurations makes the Canadian corporate elite atypical compared to other industrialized liberal-democracies.*** **Panitch and Whitaker have summarized some recent work on Canada's development saying: "... from the start it was a resource hinterland within a mercantile-imperialist framework. The kind of bourgeoisie which emerges from this political**

economy is a conservative mercantile and financial type which inevitably is dependent upon the dynamic, creative,productive industrial bourgeoisies of the metropolis, first British, then American. Canadian capitalists are typically bankers who today make their profits by channeling Canadian surpluses into American takeovers. In other words, finance capital has led to industrial capital, but financial capitalists have not become industrial capitalists; instead they have provided Canadian funds for American industrial capitalists. ***Thus Canada lacks a national bourgeoisie in the sense that the U.S.A., Britain, Germany, France, and Japan have national bourgeoisies"*** *(1974:52).* But to say Canada ' 'lacks a national bourgeoisie" like other liberal-democracies is not the same as saying it does not have a national bourgeoisie. **The difference is that the Canadian bourgeoisie is primarily a commercial one, engaged in circulation rather than production while in other nations the bourgeoisie is typically both industrial and financial.** The fragmentation which has resulted does not mean the total bourgeoisie is not powerful—indeed, it may be more powerful because of the continental context. ***It does mean, however, that the Canadian component must commit itself to the continental context to remain strong***. **In the meantime, indigenous industrial forces are restrained, their mobility limited, and the independence of the Canadian nation-state by-passed. The power of the indigenous commercial elite and the foreign industrial elite reinforce one another in the continental context.** The following passage provides some insight into the way a representative of this indigenous elite perceives Canada's place in international capitalism:

["] Canada should rely on its comparative economic advantages in determining which economic sectors to develop and how to pace that development, W. Earl McLaughlin, president and chairman of the Royal Bank of Canada, said yesterday. "Let our comparative economic advantages speak for themselves, ***and let us avoid any artificial diversion of our economic structure into costly and inefficient forms****",* Mr. *McLaughlin told the Canadian Club. . . . The Royal Bank chief executive added:* ***"Let us try to avoid the misjudgment — or personal vanity — which proclaim one form of activity to be intrinsically superior to another, whether that be resource development, high technology manufacturing, or service industries.["]"*** (The Ottawa Journal, April 18, 1974:9).

In other words, just because the Canadian corporate elite has chosen to extract its surplus as mediators in the sphere of circulation, this should not be judged as being somehow "inferior" to extracting surplus through production. This ideology of the traditional financial elite certainly fits well with its historical and contemporary role in the Canadian economy. It certainly fits well with W. Earl McLaughlin's position: he has the best of both worlds, his ancestors having sold out to General Motors of the U.S. in the early 1900's, he now has six dominant directorships plus a directorship on General Motors Corp. (Detroit).

By developing a powerful national base in the circulation sectors, the indigenous Canadian elite has been able to operate internationally among the most powerful world capitalists. By servicing U.S. control of most of the resource sector and much of the manufacturing, the indigenous elite has reinforced its position within Canada and in the international capitalist system. They have accepted an international "division of labour" and their role in it as mediators. To say that Canada's bourgeoisie is not like most other liberal-democracies is certainly correct; to say there is no national bourgeoisie fails to acknowledge the powerful position Canadian financial capitalists have had and continue to enjoy.

The question of "dependency" on the U.S. is much more complex when the important place of Canadian financial capitalists is introduced. For instance, is the bourgeoisie "dependent" on the workers because they create surplus? Are the Canadian commercial capitalists "dependent" on U.S. industrial capitalists because they control the creation of surplus? Of course, the parallels are not synonymous because U.S. industrial capitalists obviously have a better organized base of power than do Canadian workers, but it does serve to illustrate that the notion of "dependency" is, at least, paradoxical. **If the indigenous Canadian elite were to suffer severe losses to its "turf" in finance, transportation, utilities and the media, then it could be said it was being drawn into a "dependency" relationship but as long as it maintains control over these key institutions, then it has an independent base of power with which it can enter into an alliance with foreign capitalists.** This subservience has not yet arrived and, in the face of threats, it has been successful in using its political power to ensure protection. **Again, to say the traditional elite has entered into a "partnership' ' with U.S. industrial capitalists is probably correct; to say this is a ' 'junior partnership'' is to underestimate the power this elite wields nationally and internationally** *(Surely it can be definitively demonstrated that this Canadian "partnership" – be it formally 'comprador' or informally indigenous with the US behemoth is overwhelmingly "junior"if one truly accepts the importance of the author's "continental context"! -- and it is THIS loss of economic sovereignty --whether 'junior' or equal -- which dictates a concomitant loss of real political sovereignty -- that is key for socialists in Canada -- and it is here that the full power of our British-style parliament succeeds not only in mystifying indigenous class rule but also the overarching economic rule of this country by US imperialism -- Web Ed.)*

The existence of a powerful Canadian commercial elite controlled by the upper class and of a predominantly foreign elite in production, means that Canada remains a "low mobility" society. **Concentration and centralization in commercial sectors has been the result of indigenous forces while these same processes in the productive sectors have been imposed from outside. The result is an economy which is highly structured with few mobility avenues for those outside the upper class**. **A few middle class Canadians have experienced individual mobility with compradorization but even this avenue has had many of its uppermost positions filled by the indigenous elite**. In light of the earlier finding that few from outside the upper class are able to make the shift from insider positions to the executive or outsider positions, it is probable that this middle class comprador elite is trapped in the branch plants of U.S. subsidiaries but a conclusive answer to this must await an analysis of the continental economy.

(...)

(end of this Chapter 10 selection by the Web Ed.)

Continental Corporate Power

Economic Linkages between Canada and the United States

Wallace Clement (1977)

Chapters One & Two *(selections)*

CHAPTER ONE

A Continental Economy and Corporate Power

(All emphasis by the Web Ed.)

Canada is an independent nation-state enveloped by spill-over from the most powerful capitalist society in the world, which includes some of the costs and benefits of that society's wealth. While Canada's economy is largely controlled and shaped by U.S. capitalists, these capitalists do not operate in a complete power vacuum in Canada. What has been forged over the past century is an alliance between the *leading* elements of Canadian and U.S. capital that reinforces mutually the power and advantage of each. The particular type of economic development Canada has experienced has occurred in the context of two overriding factors: the dominant place of financial capitalists in Canada and the presence of the world's largest industrial giant immediately adjacent. Together these features have determined the nature of the continental economy.

Leading forces of capitalism in both Canada and the United States benefit from this alliance. Canada provides important natural resources and market outlets for U.S. industrialists, while the economic activity arising from U.S. resource extraction, transportation, and production is the bread and butter of Canada's leading capitalists. **This is an unequal alliance, however: U.S. capitalists control the major areas associated with production, the cornerstone of an industrial society; Canadian capitalists have their strength in areas of circulation and service to production.** Production is made up of the key economic activities of manufacturing and resource extraction, while circulation and service consist of financial activities, transportation, and utilities. Thus the alliance, while unequal, represents a merging of efforts and interests, giving Canadian and U.S. capitalists an affinity.

The earlier break of the southern colonies from Great Britain permitted the emergent United States an autonomous pattern of industrialization in contrast to Canada's continuance as a mediator between the imperial centre and its own resources. The United States has since become an expanding empire and centre for most of the world's largest multinational corporations. **In contrast, Canada's capitalists have been engaged in consolidating and protecting their limited areas of economic power, in large part in reaction to the outward thrust of the United States**. The major thesis of this study is that this broad pattern of the United States as an expanding empire and Canada as a country confined by U.S. expansion has had tremendous ramifications for the patterns of ownership within the Canadian economy, for the relationships between corporations, and for the nature of the economic elites of each country.

Not all Canadian capitalists are pleased with this arrangement, but most do not see beyond the immediate economic gains arising from this method of nation building and surplus extraction. Nevertheless, the central tendency is clear. For those commanding the uppermost positions in Canada's economy, as the United States goes, so goes

Canada. The two economies have become intertwined in a multitude of ways. **But their interpenetration does not mean that they have become the same. Indeed, it is precisely because of the way they have come together that they are so distinctive; that is, because they have come together in an unequal alliance, Canada's economy has been shaped to conform to the dominance of the United States.**

An analysis of the Canadian economy and of those who control it must then be one that includes an examination of the United States and of those who control its economy. This being so, Canada cannot be characterized as an advanced independent capitalist society, nor can it be grouped with the various peripheral nations often called "the Third World," although it shares some traits with each type. Herein lies the Canadian quandary.
(…)

CHAPTER TWO

A Framework for Analysis of the Continental System

(...)

III. The Continental System: Capitalist Class Fractions

(…)

Certain members of the Canadian economic elite (the fraction of the capitalist class controlling the largest corporations in Canada) are integrated into the world order in two distinct ways: as go-betweens of foreign, predominantly United States, interests and through their own indigenously controlled corporations. Canada has a rather unique role as mediator of foreign-controlled capital, as holder of its own foreign investments, and as host to extensive foreign investment. Thus a framework differing somewhat from the one emerging from the dependency literature is needed for placing Canada in the world system.

(…)

What must be identified now are the components of various fractions of the capitalist class in Canada and their relationship to foreign ownership. Starting with the divisions within the Canadian capitalist class already discussed, several class fractions can be distinguished, making use of the criteria of locus of control and size and sector of economic activity. Thus it is important to distinguish between indigenous fractions (those with a Canadian-owned and controlled base of power) and comprador fractions (those whose main allegiance is to a foreign-controlled base of power in Canada), both of which can be further subdivided into national and international components depending on their scope of control. Compradors are the senior executives and directors of branch plants who follow the directives and policies of their foreign headquarters. Secondly, a distinction is required between the most powerful or dominant capitalists and middle-range capitalists based on the amount of economic control they command. Dominant corporations are companies that control the greatest amount of economic activity in the most important areas of the economy, and dominant capitalists are persons who control these corporations. The third distinction is identification of the major economic sector, production or circulation and service, to which the fraction belongs.

In Canada these characteristics tend to cluster, so that three major fractions of the capitalist class can be distinguished (the few who fall outside these types do not represent large analytical categories). The first of these is a *dominant indigenous* fraction, very active in finance, transportation, and utilities, to a lesser extent in trade, and much less in manufacturing and resources (and then primarily in food and beverages, steel, and pulp and paper). This fraction is both national and international in scope. In this study it will be referred to as the indigenous Canadian economic elite - that set of people who hold the uppermost positions in Canadian-controlled dominant corporations. The second is a *middle-range indigenous* fraction, active mainly in relatively small-scale manufacturing and not international in scope. Many members of this fraction act in a service capacity to dominant foreign corporations in the sphere of production, while others serve regional markets inside Canada. Because they are often dependent on the dominant indigenous fraction for sources of capital and access to markets,

they are vulnerable to the power of the two dominant fractions of the capitalist class. The third is a *dominant comprador* fraction. It is active in manufacturing and resources, is both national and international, and is located in branch plants of foreign-controlled multinationals. The comprador fraction can be further subdivided by source of control (whether the United States, United Kingdom, or elsewhere), where the U.S. component is clearly the most important in Canada. This fraction will be represented in this study by the comprador Canadian economic elite, those holding the uppermost positions of foreign-controlled dominant corporations in Canada. The fact that this fraction is also international reflects its go-between role. Although dependent itself on foreign capitalists in the parent companies of foreign-based multinationals, it also acts as an intermediary for a significant amount of foreign direct investment flowing out of Canada.*

*The following is an example of the comprador elite's foreign investment: Ford Motor Co. of the United States holds 85 per cent of the stock in Ford Motor Co. of Canada, thus making the Canadian operation a branch plant. This Canadian-based company in turn holds 100 per cent of Ford Motor Co. of Australia, New Zealand, South Africa, and Singapore and operates plants in Malaysia. The history of Canada's go-between role will be explored in Chapter 3 and the contemporary pattern will be developed in Chapter 5.

Fractions of the U.S. capitalist class are not as difficult to classify using these three distinctions as their counterparts in Canada, a reflection of the fragmentation of the Canadian capitalist class because of foreign dominance and the unity of its U.S. counterpart. The basic differences, of course, are that foreign-controlled capital plays an insignificant role in the United States and no fraction is go-between. Still, there are the distinctions based on size and degree of international investment. The U.S. economic elite -- those who control the uppermost positions (senior executives and directors) of dominant corporations in the United States -- is both national and international.* There is also a middle-range fraction of the capitalist class, which is national and occasionally multinational and continental. There is no need to make a distinction based on economic sectors because U.S. control dominates in them all, but a difference exists in the degree of international and continental investment depending on sector as well as in the sectors' relationships with each other.

*Included in international operations are the distinctions between those who are multinational and those who are continental; that is, those who control operations in the U.S. and throughout the world and those who control operations in the U.S. and Canada only... virtually all dominant U.S. corporations are both continental and multinational...

Finally, a component of both the U.S. and Canadian elites forms a continental elite through a series of interlocking directorships and social ties in both countries. This continental elite is based not only on Canada-United States and United States-Canada interlocks between parent and subsidiary companies but also on important exchanges between dominant Canadian-controlled and U.S.-controlled companies outside the parent-subsidiary relationship. From the perspective of a continental economy, it is important to identify the fractions of the capitalist classes of both countries involved in this continental elite and to assess the importance of the tie.

(end of selection)

Continental Corporate Power
Economic Linkages between Canada and the United States

Wallace Clement (1977)

CHAPTER FOUR
Consolidating the Continental Economy

*(*Notes by the author)*
(All emphasis by the Web Ed.)

I. The Wartime Economy

(...)

Business again took over the state apparatus. **What is more, the Second World War did not end war for the United States. By 1950, the U.S. government was again putting over $18 billion into the treasuries of one hundred corporations -- including $2.4 billion to General Motors and $1.2 billion to United Aircraft[6] -- for war materials for the United Nations action in Korea.**

In terms of increasing production, the second war had a similar effect in Canada. By 1943, 60 per cent of employees in manufacturing were working on war materials.[7] **David Wolfe says that "the key factor in accelerating [Canada] out of the slump of the 1930's was the impetus provided by the Second World War. The primary result of the war was the relative growth of secondary industry" fostered by curtailing imports and accelerating demand.[8]** Under the direction of CD. Howe, the Department of Munitions and Supply spent $900 million on crown corporations and $15 billion on war supplies. The change was rapid; production rose from $1.2 billion in 1939 to $2.9 billion in 1945, resulting in an average annual growth rate of 23 per cent during the war. *(La guerre, c'est payante! --Ed).*

As in the United States, accelerated amortization helped private corporations. For example, the Aluminum Company of Canada (Alcan) saved $164 million in this way on its Shipshaw power project alone. "Altogether the accelerated depreciation rates were applied to capital investments worth $1.4 billion undertaken by 4,212 companies during the five year period. ***This constituted four fifths of all manufacturing investment at the time."[9] Modern industrialization came to Canada courtesy of the war and the Canadian state.***

The presence of U.S. ownership in manufacturing was of little consequence; like the domestic companies, U.S.-controlled firms converted for wartime. The Foreign Exchange Control Board, designed to control Canadian resources for the war, was established in 1939 and issued licences to foreign subsidiaries in Canada, not wishing "to upset any existing arrangements which the Canadian companies have with their parent companies by way of inter-company accounts."[10] War would not stand in the way of the continental economy -- it would consolidate it.

II. U.S. Investment in Canadian Resources and Manufacturing and Its Results

> "Personally, I am afraid of foreign investments. The record does not show that our foreign investments to date have been very profitable, **except for those in Canada, which I do not regard as a foreign country" (the treasurer of a large U.S. company in 1946).[11]**

U.S. direct investment abroad had experienced severe setbacks during the depression beginning in 1930. As Table 1 indicates, the total value of that investment actually fell in real terms between 1929 and 1946. Cutbacks had been greatest in Latin America and Europe, each of which lost some $400 million from 1929 to 1946; U.S. investment in Canada actually increased by $500 million over the period, but then again Canada was not regarded "as a foreign country."*

***The U.S. businessman's habit of not regarding Canada "as a foreign country" also shows up in some U.S. studies of multinational corporations. F.T. Knickerbocker says in** *Oligopolistic Reaction and Multinational Enterprise,* **"Canada was excluded because a number of U.S. firms considered their Canadian operations an integral part of their domestic operations; their reasons, therefore, for establishing a Canadian subsidiary are not very likely to be the same as their reasons for establishing subsidiaries in other countries" (pp. 33-34). Yet, the practice of excluding Canada from such studies eliminates these issues from the realm of investigation.**

Table 1 *(page 83-1977)* also illustrates that in the immediate post-war expansion of $4.6 billion over the course of only four years, U.S. direct investment took certain directions. While increased investments in Canada and Latin America came quickly, the increase in Europe was somewhat delayed. Canada and Latin America were both sources of raw materials much sought by the United States following the war. The dismantling of the Canadian war economy was lucrative for those buying up businesses,** Canada was also a market outlet, as was Europe; but the European market had not yet stabilized following the massive destruction of the war, and there were few businesses to buy at that point.

**Government war plants (worth $200 million) were sold off by the Crown Assets Allocation Committee, directed by CD. Howe. "By 1947, $107 million worth of these plants had been sold or leased to private industry, generally at one third the price of their original construction cost" (D.A. Wolfe, *Political Culture, Economic Policy, and the Growth of Foreign Investment in Canada,* p. 88).

Nowhere and at no time (except by military conquest) has the increase in control from outside been so rapid as it was in Canada following the war. The figures on p. 80 show the swiftness of this takeover.*** Although there had been signs of the trend -- the early branch plants founded to bypass the National Policy tariff of 1879 and subsequent tariffs and the expansion of U.S. companies in the 1920s -- it took the war-induced industrialization in the mid-1940s to consolidate the continental economy. Trade patterns after the decline of British dominance led the way, but the difference between trade and foreign ownership is the difference between independence and dependence.

****Crucial to the understanding of the dominant place held by U.S. capitalists in Canada's sphere of production are the events of the period immediately following the Second World War. The following figures illustrate the rapidity of the change: in 1946, 35% of Canada's manufacturing was foreign controlled; by 1953 foreign control had risen to 53% and by 1957 to 56%; in mining and smelting the correspondent increases were from 38% to 57% to 70% (when speaking generally of foreign direct investment in Canada, we are really referring to U.S. investment because about 80% of all foreign direct investment in Canada after the 1930s has been controlled from the United States.)***

Induced in large part by the depletion, actual or foreseeable, of materials within U.S. boundaries following the war, many U.S. companies in both the manufacturing and the resource sectors received added incentive to tap supplies in Canada. They were welcomed by Canadian politicians and businessmen, and a receptive environment for continental integration was formed. The pattern of U.S. investment in resources was noted by Aitken in 1959: ***"*Capital inflows from the United States since World War II have been heavily concentrated in areas of the economy that contribute directly to exports to the United States. Approximately 70 per cent of the total inflow of direct capital investment from the United States in the period 1946-1955 went into the petroleum, mining, and pulp and paper industries." [12]

After the Leduc find in 1947, oil was a major contributor to the postwar boom in resources. But Canada's oil came into production when the major oil companies had already carved out their markets. By 1952 "it was apparent that the further development of the Canadian oil industry depended less upon the discovery of additional reserves than upon access to markets."[13] The local prairie market being small, the markets of central Canada and the United States would have to be tapped. Pipelines were required, and the necessary technology was mainly U.S. controlled. When Interprovincial Pipe Line was formed in 1950, it was to transmit the oil from Alberta to Imperial Oil's Sarnia refinery and the major markets; today, Imperial Oil continues to hold a one-third interest in Interprovincial. **Half of the U.S. capital that entered Canada between 1946 and 1953 went into petroleum. By 1954, Canadian oil was supplying the entire market between Vancouver and Toronto; by 1957, 70 per cent of the petroleum and natural gas industries in Canada were U.S. controlled.**

Development of Canadian iron ore resources was a method adopted by U.S. steel companies after the war to guarantee their supply sources. In 1949, five U.S. steel companies (Armco Steel, National Steel, Republic Steel, Youngstown Sheet and Tube, and Wheeling Steel), along with Hollinger Mines (a Canadian company) and Hanna Ore Mining (a U.S. company), formed the Iron Ore Company of Canada to develop iron ore in Quebec. Shortly thereafter other U.S. companies, notably Kennecott Copper and U.S. Steel, also began active mineral exploration.[14]

This tremendous push into Canadian resources by U.S. firms (from both the resource and the manufacturing sectors) must be seen as part of a conscious effort. After the Second World War, and further reinforced by the Korean War, the U.S. government was moved to investigate its resource requirements for the future. **The result was the Paley Report, appropriately entitled Resources for Freedom. It identified twenty-nine key commodities, and Canada was specified as a likely major source for twelve of them. Because Canada was considered secure (politically and militarily), it was the logical target of attention rather than Latin America.**

["] In 1950, U.S. direct investment in mining in Latin America had been about double that in Canada. In recorded history, U.S. direct investment in mining in Latin America had always been higher than in Canada. **By 1960, however, U.S. stakes in mining in Canada surpassed those in the whole of Latin America. This was not because of the exhaustion of Latin American mineral resources. Rather the reason lay in the conditions of doing business in Latin America that compared unfavorably with the more suitable investment climate in Canada.["][15]**

Furthermore, the conscious effort by U.S. capitalists and their government was met by a like-minded Canadian state. As Wolfe has observed, during the 1950s, "in the case of the GATT tariff reductions, Canadian negotiations concentrated on gaining easier access for Canadian raw materials to foreign markets. **[CD.] Howe and the Government tended to view the resource industries as the lead sector of the Canadian economy that would provide the stimulus for the expansion of industry in the manufacturing and service sectors."**[16] **CD. Howe, the great "salesman," said in a speech in Boston in 1954, "Canada has welcomed the participation of American and other foreign capital in its industrial expansion. In Canada, foreign investors are treated the same as domestic investors."[17] Prime Minister Louis St-Laurent also supported Howe's position, arguing that foreign capital somehow became "nationalized" once it had entered Canada.[18]** It is not entirely clear that St-Laurent's belief was right. **What is clear is the success of this government policy, a policy that promoted the old pattern of export of Canadian resources and foreign ownership of manufacturing within Canada.**

Even in terms of manufactured goods, a resource-based product, pulp and paper, remained the prime Canadian export to the United States, accounting for about half of all exports at the end of the 1950s. Aitken surveyed pulpwood, nickel, petroleum, and natural gas and concluded that these natural resources "were initially developed by United States capital and entrepreneurship, with the aid of United States technology to serve the United States market."[19] **At the end of the fifties, three-fifths of all Canadian exports were destined for the U.S. market and over 70 per cent of these exports were raw materials for U.S. industries.[20]**

As a result of its particular form of development, Canada has become very much an extension of the U.S. economy. In 1974, exports accounted for 23 per cent of Canada's Gross National Product (GNP).[21] By contrast, in 1968, when exports made up only 4 per cent of the GNP of the United States, they comprised 24 per cent of the Canadian GNP.[22] Much of the advantage of the United States over Canada in trading terms results from sheer size. While in world terms Canada's GNP is of moderate size (certainly not small), compared to the GNP of the United States it is puny. For instance, in 1970, the United States had trade worth $8,810 million with Canada while Canada's trade to the United States was worth $10,920 million -- not a very dramatic difference. Yet these figures accounted for only 20.7 per cent of the total U.S. trade but 65.4 per cent of Canada's total.[23] Nevertheless, the differences between Canada and the United States include more than size; they also reflect the types of goods exported to and imported from the United States and radically different trade levels per capita. **A *Toronto Star* article reported in the summer of 1976: "We import more manufactured goods per person than any other major nation: twice the European**

average and four times the American. Last year, Canada imported $10 billion more manufactured end-products than it exported."[24]

While this trade pattern has long been characteristic of Canada, its intensity has been increasing rapidly since World War II. Writing at the beginning of the sixties, Aitken noted: "Since Canada became a nation in 1867, the value of Canadian-American trade has increased some eighty-fold; during the same period, total world trade has increased only about twenty times."[25] Over the course of Canada's first century, the proportion of imports originating in the United States has increased from about one-third to over two-thirds of the whole and the proportion of Canadian exports going to the United States has increased from about one-half to two-thirds. Recently, the increasing density of Canada's trade relationship with the United States has continued to grow, as Table 2 shows *[page 86 -- 1977].* But to assume that little has changed in Canada's economic relations with the United States because the high degree of trading in the post-war era is similar to that in the era from the turn of the century to the Second World War is to overlook the important way in which this "trading" has changed. In the earlier period, it was correct to suggest a market relationship in which capitalists in Canada bought from and sold to capitalists in the United States. ***Now 75 per cent of all "trading" by foreign-controlled companies in Canada represents intra-company transfers within one corporation that straddles the boundary between Canada and the United States***. Although the proportion of total Canadian trade accounted for by branch plants is not known, the fact that most of the key exporting activities are foreign controlled suggests that the proportion is high.

A statement by Mitchell Sharp, then Secretary of State for External Affairs, describes the situation graphically:

["] The Canada-U.S. relationship, as it has evolved since the end of the Second World War, is in many respects a unique phenomenon. It is by far our most important external relationship, but it is more than an external relationship. It impinges on virtually every aspect of the Canadian national interest, and thus of Canadian domestic concerns... The North-South pull has, of course, been a factor throughout Canadian history. At the time of Confederation and until the 1920s, however, there were strong countervailing forces promoting an East-West bias in Canada's economic development...Over time, however, the exploitation of our mineral and forestry resources assumed more importance and these found a large and expanding market in a rapidly industrializing United States. The economic axis was gradually turning in a North-South direction.["][26]

As Canada has shifted from the east-west to the north-south axis, the nature of the resources has also changed from the old staples of fish, fur, timber, and wheat to the new staples of petroleum, minerals, and pulp and paper. **This has led Daniel Drache, following a long tradition of political economists in Canada who have focused on staples, to conclude that "what we have in Canada is a hybrid or 'incomplete' form of capitalism, which might be called advanced resource capitalism, where capitalist relations are based on a very highly developed resource exploitation."[27] Canada occupies this position because it is both an important market for manufacturers and a source of resources for U.S. capitalists. The result is that the current level of U.S. control amounts to 58 per cent of manufacturing and 74 per cent of mining in Canada.** At the same time Canada has been supplying a large portion of U.S. import requirements, in 1973 42 per cent of the aluminum, bauxite, copper, lead, nickel, tin, and zinc, which together were worth $1 billion, while oil and gas exports added a further $2 billion and pulp and paper another $2.5 billion.[28]

Insights into the implications of these developments for Canadians are provided by Pierre Bourgault:

["] When we examine the nature of our imports and exports, we find that we export mainly raw materials and resource-based products, ***while importing mostly manufactured goods, particularly those which have a high knowledge content [i.e. technology and skilled labour]. Our pride in being a trading nation must be tempered by the realization that we excel in the sale of those products that most developed countries want, on which they impose no tariffs, and which they use to make products for sales abroad, thus creating jobs for their citizens.["][29]***

Bourgault also points out that Canada imports some of the same raw materials that it exports but in "more science-intensive forms"; these are resources such as nickel, aluminum, pulp and paper, platinum, natural

gas, petroleum, and asbestos. **He is led to question the value for Canada of such trading patterns but leaves little doubt why foreign capitalists have found Canada such an attractive place to invest. In fact, Canada is so attractive that it has been the recipient of almost 40 per cent of all investments made abroad by multinational corporations.**[30]

One consequence of this pattern, as expressed in the study *Foreign Direct Investment in Canada,* **is that "some 90 per cent of patents issued in Canada are registered to foreign owners, of which two-thirds are owned by United States residents."**[31] **Not only did its technological lead give the United States an important wedge for entering Canada, but the effect of its branch plants has also been to appropriate the means of innovation and further reinforce its strength within the sphere of production.**

III. U.S. Ownership and "Canadian" Capital

While U.S. control was being extended over more and more Canadian resources and manufacturing industries, the proportion of U.S. capital actually imported to support these investments was falling. The Gordon Commission reported in 1957 that "the net use of foreign resources was about one-quarter in 1926-30, compared to 6% in 1946-54; direct foreign financing fell from about one-half to one-quarter between the two periods."[32] Where was the financing coming from? **Aitken shows that for 1959, of the total sources of funds for U.S. direct investment in Canada, 26 per cent came from the United States, 7 per cent from Canadian sources outside the company, 32 per cent from depreciation and depletion allowances, and 31 per cent from net income**.[33] **Even this early, some seven-tenths of the sources for expansion of U.S. direct investment were coming from within Canada or were financed from Canadian operations.**

To what extent were new arrivals from the United States "pioneers" and to what extent were they simply taking over existing Canadian operations? A United Nations report in 1974 analysed the patterns of 187 U.S. multinationals. It found that before 1946, 29 per cent of the U.S. firms entering Canada came by acquisition of existing Canadian companies. Between 1946 and 1957 this method of entry increased to 45 per cent, and between 1958 and 1967 it rose to 58 per cent. This, it should be noted, is much higher than in all other countries entered by U.S. firms, where the proportions were 24, 28, and 41 per cent, respectively, for each period.[34] **In other words, relative to other places where U.S. multinationals operate, in Canada the tendency was to take over existing companies rather than open new ones.**

The method of financing and the method of entry together show that increasingly in the post-war period U.S. firms were expanding their Canadian operations with capital obtained in Canada. Both processes contributed to the rapid increase in the U.S. share of control in both resources and manufacturing.

Kari Levitt has argued that dependence is characteristic of Canada's relationship with the United States, showing that "in the period 1960-67, remitted profits by American subsidiaries in Canada ($5.9 billion) exceeded new capital inflows ($4.1 billion) by $1.8 billion."[35] **Clearly, the effect of foreign direct investment, such as that characteristic of multinational corporations, is to increase dependence over time and lead to underdevelopment of the economy of the host country in the sense of draining off more capital than is initially invested.**

The paradoxical position of Canada is that while the amount of U.S. investment in Canada continues to grow, financed out of retained earnings, Canadian financial capital, and profits remitted to U.S. parents, this country is now a net exporter of capital to the United States. There are additional remittances of various kinds; for example, between 1946 and 1968, interest payments on foreign capital amounted to $5,085 billion, and of this, 88 per cent went to the United States. This amount has been increasing rapidly, with $500 million going to the United States in 1968 alone. In that year 82 per cent of all dividend payments went to the United States. Dividend payments to the United States amounted to $10.3 billion between 1926 and 1968, of which $7.5 billion was paid between 1950 and 1968.[36] Further forms of remittance to the United States are professional fees, royalties, management fees, rent, research, franchise, advertising, and insurance, which amounted to $1,715 billion in 1969 alone.[37] **Unlike earlier periods when**

many of the patents held by U.S. companies were used in Canada by Canadian companies, the current situation finds patent use almost exclusively a branch-plant phenomenon. A special Statistics Canada survey found that "out of more than $250 million paid to non-residents in respect of royalties, patents, copyrights and trademarks, management and administrative services, and franchises and similar rights, some $240 million emanated from direct investment enterprises."[38] In other words, about 96 per cent of all these payments were from branch plants.

By 1970, dividend payments to foreign parents were up to $806 million, or two-fifths of the branch plants' total earnings, and the excess of payments over receipts of direct investment was $473 million, reflecting both a high increase in foreign control and high foreign payments. ***Foreign investments in Canada are now so lucrative that they can both expand within Canada and export capital to their parents*** *(emphasis by the author).* "In the periods 1956 to 1958 and 1959 to 1961, when intense capital formation occurred, Canada's net use of foreign resources amounted to between one third and two fifths of net capital formation. In the next six years, however, the relative use of foreign resources was almost halved to one fifth...the relative use of foreign resources fell to 12% in the period 1968 to 1970."[39]

Thus the issue for Canadians to consider is no longer new inflows of U.S. direct investment, for they have virtually ceased; the issue is now the expansion of foreign control almost entirely through retained earnings from Canadian operations and Canadian financial capital. More than ever, the argument that Canada is capital poor and needs foreign investment appears absurd.

On the contrary, Canada is becoming capital poor because it has so much foreign investment and that investment is generating dividends that drain funds back to the foreign parent. (Author's emphasis)

As was suggested earlier, the nature of direct investment is such that when it matures it begins internal generation of sufficient funds for growth and requires less new direct inflow to continue to expand. In Canada, this point was reached between 1962 and 1963 when undistributed earnings began to be greater than new capital inflows. In the seventeen years from 1946 to 1962, net capital inflow contributed $6.4 billion to the expansion of foreign direct investment in Canada compared to $4.4 billion through net increases of undistributed earnings (59.5 per cent capital inflow, 40.5 per cent undistributed earnings). In the next eight years, from 1963 to 1970, these two sources combined yielded an almost identical amount of capital ($10.8 billion from 1946 to 1962 and $10.6 billion from 1963 to 1970), but the relative contribution of the two factors was reversed. In the more recent period, net capital inflows contribute 44.4 per cent while undistributed earnings account for 55.6 per cent.[40]

These calculations do not include earnings that flow back to parent companies, which follow a similar trend, or borrowings within Canada that add to foreign-controlled direct investment. Of the total Un-controlled investment of $27.7 billion in 1970, Canadians owned $3.46 billion in the form of debt and $2.37 billion through equity, other nonresidents owned $0.467 billion, and the remaining $19.28 billion belonged to U.S.-controlled Canadian corporations. **Canadian investors through debt or equity had thus committed some $5.8 billion to U.S.-controlled companies. This is Canadian capital's share (about 21 per cent) in U.S. direct investment.[41]** It suggests that there is a form of alliance or partnership between the dominant fractions of Canadian and U.S. capitalists in their management of the continental economy *(a very 'junior' Canadian partnership -- Web Ed.).*

IV. Changes in the Profile of U.S. Investment in Canada

The profile of U.S. direct investment in Canada by sector between 1926 and 1970 shows a steady proportion directed to finance (hovering between 6 and 8 per cent) and a similar steady pattern in merchandising (about 6 per cent).

(...)

Table 3 *[see page 91-1977]* provides a retrospective view of U.S. control in non-financial industries in Canada. The steady pattern of an increasing share of control in manufacturing and in mining and smelting is readily apparent, while fluctuations in petroleum and natural gas mainly reflect other foreign interests (Britain and the Netherlands). Much lower levels of control in transportation and utilities are also evident.

Placing this pattern of U.S. control within the context of all non-financial industries in Canada, as in Table 4 *[see page 92 -- 1977],* highlights predominant U.S. control in manufacturing and resources and the lesser place of private Canadian interests and other foreign interests in these sectors.* What this table does not suggest, but Appendix I illustrates clearly, is that the proportion of foreign control expressed in terms of assets is considerably lower than the proportion of profits. **In other words, foreign investment in the mining and manufacturing sectors is much more profitable than Canadian ownership in these same areas. While foreign interests controlled 65 per cent of the mining assets in 1972, these assets generated 69 per cent of the sales and 73 per cent of the profits. In manufacturing as a whole, foreign interests had 56 per cent of the assets and sales but 65 per cent of the profits in 1972**. Appendix I also illustrates the low levels of foreign ownership in the utilities, wholesale and retail trade, and finance sectors not shown in Table 4. These facts confirm the historical division of activity, with Canadian capitalists dominant in circulation and service and foreign interests dominant in production, discussed in earlier chapters.

* (...) U.S. manufacturers in Canada employ 30% of the people but represent 60% of control in assets (...) This illustrates that U.S. manufacturing is highly capital intensive and tends to create fewer jobs in Canada than Canadian manufacturing.

Table 5 *[see page 93 -- 1977]* provides a broad perspective of the difference between capital controlled and owned in Canada and in the United States. It reveals that the capitalists of the two countries controlling manufacturing, mining, and smelting and especially in petroleum and natural gas, where they own 43 per cent of the whole but control only 25 per cent. On the other hand, they have control over more than they own in railways and other utilities. **This situation arises because, as discussed earlier, there are different control rights associated with different types of capital. In the productive sectors U.S. capital tends to be direct investment and Canadian capital is portfolio investment.**

These figures also contain clues to tendencies, particularly regarding the types of capital Canadian and U.S. capitalists use in the various sectors and the relative strength each type of capital gives these capitalists in terms of their ability to control. Not only the availability of capital but also the use to which it is put is of importance. For example, in rubber manufacturing, Canadians supplied 31 per cent but controlled only 1 per cent of total capital employed. In the aluminum industry, Canadians invested 24 per cent, but control was 100 per cent foreign. In chemicals, Canadians invested 34 per cent but controlled only 19 per cent; the figures in petroleum were 39 per cent of the capital and 24 per cent of the control, in mining, 41 per cent of the capital and 30 per cent of the control, in smelting and refining, 53 per cent of the capital and 33 per cent of the control.[43] **In capital terms, the difference lies in the tendency of Canadian capitalists to portfolio investment and of U.S. capitalists to direct investment. In organizational terms, the U.S. capitalists build branch plants and the Canadians supply the capital to do the building**. **In terms of favoured sectors, U.S. capitalists invest in manufacturing and resources, Canadian capitalists invest in finance, transportation, and utilities and lend capital to U.S. firms in the productive sectors.**

The most recent data available on foreign direct investment in Canada only reaffirm the patterns outlined here.* At the end of 1973, the total of foreign direct investment climbed to $32.8 billion, an increase of 11 per cent over the previous year compared to increases of 6 per cent in each of the two previous years.

This increase represented an expansion in one year of $3.3 billion, but only $725 million, or 22 per cent of it, came from direct investment inflows; the rest was accounted for by retained earnings and capital borrowed in Canada. And the pattern of the past persisted: the United States accounted for 79 per cent of all foreign direct investment in Canada at the end of 1973.[44]

* Government statistics on corporations and foreign investment in Canada are generally three to five years out of date by the time they are released. The Canadian government is not renowned for either gathering statistics of this kind or making what it gathers widely available.

It is important to recognize that while parts of an economic system may be dependent on external capitalists, not all parts are necessarily externally dependent. Nor must all the various parts be in conflict; some parts may be in conflict while others are in alliance. The relations of the three fractions of the capitalist class outlined earlier (p. 25) with one another can be understood in terms of their place in the continental system. **The dominant indigenous elite has entered into an alliance with the dominant**

comprador elite (and thereby with the foreign elite that controls the parent companies) because each group operates in relatively distinct though complementary economic activities, the former in finance, transportation, and utilities and the latter in manufacturing and resources. Even when the dominant indigenous elite has entered the manufacturing and resource sectors, it has gone into the components of these sectors that are long established in Canada and, again, relatively distinct from foreign-controlled activities. The food and beverages, steel, and pulp and paper industries provide the most significant examples of this trend. **The third fraction, the middle-range indigenous capitalists mainly in manufacturing, is much weaker in access to both markets and capital than either of the other two fractions and often in direct conflict with them. It is this fraction that is frequently forced to sell out and join the ranks of the comprador elite or rentier capitalists** *('rentier:' those enjoying fixed income from property or stocks – Websters)*. As has been shown, the weak position of the middle-range national capitalist class throughout history cannot be totally divorced from the dominant position of the indigenous elite in finance, transportation, and utilities.

Once again, it is crucial to place these patterns of investment in their economic sectors. If the sectors are taken individually, it is evident that the middle-range fraction of the indigenous capitalist class centred in manufacturing is most directly affected.** In 1967, U.S. direct investment in Canada was concentrated in manufacturing (44 per cent) and resources (39 per cent) and very little flowed into other sectors (finance, 8 per cent; trade, 5 per cent; utilities, 2 per cent).[45] These figures (and those presented above) illustrate the relative direction of U.S. direct investment and multinational activity in Canada by sector, but they do not compare the relative volume with Canadian-controlled investment. A comparison can be made by studying the net change in the book value of investments in Canada over the thirteen years ending in 1967 (the most recent period for which these data are available). In manufacturing, U.S.-controlled branches have added $5.9 billion compared to the $4.7 billion added by Canadian-controlled companies; in resources, the comparative additions are $6.2 billion to $2.6 billion. On the other hand, there was no U.S. investment in railways, but Canadians added $1.4 billion; in the other sectors, the comparative figures were in utilities, $0.3 billion and $10.6 billion; in merchandising and construction, $0.6 billion and $7.2 billion.[46] **These figures show that the pattern of underdevelopment characteristic of Canada in the post-war period as a result of U.S. branch plants has persisted in specific sectors, notably manufacturing and resource, but has had limited direct influence elsewhere.**

**** in the resource sector, foreign investment creates little conflict with middle-range indigenous capitalists because that class was never able to develop significantly in this sector. For example, 99.5 per cent of the assets and 98.9 per cent of the sales in petroleum and coal products are foreign controlled. The participation of Canada's dominant class has been primarily in promotion and speculation of stocks rather than in resource production.**

A Note on Canada's Industrial Coming-of-Age

It is difficult to identify precisely the date when Canada came of age industrially. Some may even argue that because of the extensive amount of foreign control in its industries, Canada has still not reached that point. structure, standard of living, and output, Canada is an industrial society even if it has a strong bias towards resource and commercial activity. Illustrating the confusion over the beginning of the period of industrialization, O.J. Firestone says, "If the criterion of industrialization is the proportion of national income derived from manufacturing then Canada became more industrial than agricultural during World War I. If the definition is extended to cover employment, then Canada's industrial coming-of-age is very recent dating back only to the early years of World War II."[47] It may be argued that the basis for an industrial society was established prior to the beginning of the Second World War, but the major transformations projecting Canada's social structure into its present form did not take place until the war.

When we use the proportion of the labour force in agriculture as an indicator, the recent shift is readily apparent. This proportion fell from 26 per cent in 1941 to 16 per cent by 1951, to 10 per cent by 1961, and to 6 per cent by 1971. On the other hand, the evidence shows that the decline in agricultural labour did *not* produce a corresponding rise in the proportion of the labour force employed in secondary production. For the crucial period 1946 to 1963, the proportion employed in production of primary goods fell from 29 per cent to 13 per cent, as would be expected with the decline in agriculture. Nevertheless, the proportion

engaged in secondary production increased only slightly, from 31 to 32 per cent, in the same period. A very large portion of the shift went to the service sector, rising from 40 to 55 per cent, with the lion's share going to trade, finance, insurance, real estate, and "other" services. What has also been clear in this shift is an increase in the proportion of the labour force employed as paid workers as opposed to self-employed. In 1956, 79 per cent of the workers in Canada were paid workers, but by 1972, 88 per cent were in this category. There was a corresponding decline from 12 to 6 per cent of those working for themselves and a decline from 6 to 4 per cent of those who were employers.[48]

Canada is obviously no longer an agrarian society, but neither is it particularly oriented to secondary production. Rather, as Canada became industrialized it tended to expand in the service sectors of the economy. At the same time, there has been a "rationalization" of labour with the decline of numbers of self-employed workers and even of those who are employers. This pattern in the occupational structure of Canadian society reflects Canada's economic development. **No clear progression from primary to secondary to tertiary activities took place in Canada as it had in the United States. In Canada the economy changed from primary to tertiary without developing the area of secondary production. Here again can be seen the uneven nature of Canada's development and the effects of external control.**

NOTES

(…)

6. T.C. Cochran, The American Business System, p. 160
7. O.J. Firestone, *Canada's Economic Development, 1867-1953,* p. 214.
8. D.A. Wolfe, "Political Culture, Economic Policy and the Growth of Foreign Investment in Canada," p. 43.
9. Ibid., pp. 91-92.
10. Mira Wilkins, *The Maturing of Multinational Enterprise,* p. 251.
11. Quoted in Wilkins, *Maturing of Multinational Enterprise,* p. 311.
12. H.G.J. Aitken, "The Changing Economic Structure of the Canadian Economy," in *The American Economic Impact on Canada,* ed. H.G.J. Aitken et al., p. 11.
13. Ibid., p. 23.
14. Wilkins, *Maturing of Multinational Enterprise,* p. 305. 15.Ibid., p. 392.
16. Wolfe, "Political Culture," p. 123.
17. Quoted in Wolfe, "Political Culture," p. 120.
18. See Dale Thomson, *Louis St-Laurent,* p. 148.
19. Aitken, "Changing Structure," p. 33.
20. H.G.J. Aitken, *American Capital and Canadian Resources,* pp. 74-75.
21. Canada, *Canada Year Book, 1975,* pp. 728, 829.
22. See ***Fortune*** 84 (1971): 144-149.
23. U.N., *Monthly Bulletin of Statistics,* June 1971: xii-xvi.
24. *Toronto Star* 24 July 1976: Dll.
25. Aitken, *American Capital,* p. 7.
26. Mitchell Sharp, "Canada-U.S. Relations: Options for the Future," *International Perspectives,* Autumn 1972: 1, 4.
27. D. Drache, "Canadian Capitalism: Sticking with Staples," *This Magazine^* (1975): 7.
28. Ibid., p. 9.
29. P. Bourgault, *Innovation and the Structure of Canadian Industry,* pp. 82-83.
30. 1bid., p. 69.
31. Canada, *Foreign Direct Investment in Canada,* p. 118.
32. Royal Commission on Canada's Economic Prospects, *Final Report*, p. 97
33. Aitkey, *American Capital*, p. 199
34. U.N., Dep't of Economic & Social Affairs, *Multinational Corporations in World Development*, p193
35. K. Levitt, *Silent Surrender*, p.94
36. *Canadian Statistical Review, Historical Summary 1970*, pp.94, 96
37. CALURA, *Annual Report for 1972*, Part 1, Corporations, p.39
38. Statistics Canada, *Canada's International Investment Position, 1968 to 1970,* p. 81
39. Ibid, pp. 72-80
40. Ibid, p. 115 Table 15
41. Statistics Canada, *Canada's International Investment Position, 1970, pp94,96*

44. *Infomat 5,* Sept. 1975:3
45. Statistics Canada, *Canada's International Investment Position, 1926 to 1967*, p.31
47. Firestone, *Economic Development* p. 182
48. J Porter, *Canadian Social Structure* pp. 92-93; Canada, *Perspective Canada* pp. 124-25

Continental Corporate Power

Economic Linkages between Canada and the United States

Wallace Clement (1977)

CHAPTER FIVE

Multinational Corporations Operating from the U. S. and Canada

(All emphasis by the Web Ed.)

(...)

VI. A Comparative View of the Countries of the Western Hemisphere

From a comparative perspective, the economic relations of the United States with Canada have been less "troublesome" than those with Latin America, for a variety of reasons -- proximity, language, similar form of government. But two further reasons, perhaps less obvious, have also been important. **First, because the United States entered Canada industrially on the ground floor, its industrial dominance grew as the industrial and resource sectors grew. As U.S. industrials moved in, they usually did not have to oust powerful capitalists already in these sectors**. Second, U.S. branch plants provided just what the powerful commercial capitalists wanted in their search for secure outlets and production for their capital to serve. The U.S. companies were a safe surrogate for the rough-and-ready competition of indigenous industrialists.

It was not until after the Second World War that the United States became a global power of the first order, but much earlier it had become a continental power. While it has expanded in both respects in the last thirty years, the United States has continued to show great interest in the continental economy because that was its first and easiest place of expansion. It has even been argued that "success" in Canadian operations stimulated U.S. multinationals to move further abroad. LA. Litvak and C.J. Maule suggest that "one might even argue that Canada has inadvertently been a catalyst to this growth. The success of U.S. subsidiaries in Canada has motivated many a 'parent firm' to extend its international operations -- an intermediary step in evolving into a multinational corporation."[74] Canada's go-between role has had many dimensions.

Two factors distinguish Canadian multinational activity from that of the United States. Size is the first and most obvious. With only one-eleventh the population of the United States, even if Canada operated abroad to the same degree, its impact would still be overwhelmed by the U.S. presence. **The second and not so obvious factor is the go-between nature that we have observed, indicative of the high degree of foreign control within the resource and manufacturing sectors of the Canadian economy. Although in areas of indigenous strength, particularly finance and utilities, there is a long-standing thrust of investment from Canada to Latin America, the overall standing of Canada within the hemisphere is still a paradoxical one displaying simultaneous dependence and dominance**.

The comparative places of Canada and the United States are evident in Table 12, which summarizes over a three-year period the flow of direct investment and income from investment both into and out of these countries. The figures show that (on an annual average) U.S. corporations have made more direct investment by $2,894 million in the rest of the world than the rest of the world has made in the United States, and the United States receives $7,241 million more in income from direct investment than is paid out. ***Canada's position is just the reverse. More direct investment flows in than flows out, and more income from direct investment flows out than flows in.*** While the United States receives annually $4,347 million more in income from direct investment than flows out in direct investment, in Canada $30 million more flows out in income payments than flows in through foreign direct investment. Thus the United States tends to be overdeveloped by its relationship with the rest of the world; Canada's relations in the aggregate lead to its underdevelopment.

TABLE 12
Annual Flows of Direct Investment and Investment Income
United States and Canada -- Average for 1968 to 1970 ***($ millions)***

	Direct Investment
U.S.	***Inward: 727 Outward: -3,621 NET: 2,894***
Canada	***Inward 651 Outward -274 NET: 378***
	Income from Direct Investment
U.S.	***Inward: 8,107 Outward: -866 NET: 7,241***
Canada	***Inward 171 Outward -579 NET: -408***

Source: United Nations, *Multinational Corporations in world Development*, p. 169

In this era of international capitalism, it is whether a nation or region integrates its economic activities on a worldwide scale or whether it is a satellite to the integrated activities of other nations that determines its status as developed or underdeveloped. A relationship between equals can be considered to be symbiotic, but relationships between powerful and weak nations are parasitic. The contemporary relationships between Canada and Britain or Europe may be rough examples of symbiosis; the relationships between the United States and Canada or Latin America, and to a lesser extent between Canada and Latin America, may be considered parasitic. It has become apparent that the kind of relationship one nation establishes with another and the degree of autonomous development it enjoys are linked to the power of that nation vis-a-vis other nations as capitalism became increasingly international in orientation.

An *underdeveloped* society is no longer an *un*developed society but one whose development is controlled from outside. It is now impossible to speak of "underdeveloped" societies without in turn examining "overdeveloped" societies, that is, societies developed beyond their internal potentials and therefore relying in part on the outside world for affluence. Overdevelopment is the concomitant of the underdevelopment discussed by A.G. Frank, who contends that "underdevelopment, far from being due to any supposed 'isolation' of the majority of the world's people from the modern capitalist expansion, or even to any continued feudal relations and ways, is the result of the integral incorporation of these people into the fully integrated but contradictory capitalist system which has long since embraced them all."[75]

When there is large-scale withdrawal of capital through profits, dividend payments, interest payments, and a variety of other "services" performed by the foreign parent corporation, there will be development in the country but not development of the country, so that indigenous capital required to achieve autonomy is withdrawn. When this system of developing underdevelopment exists, there are no economic solutions to break the cycle because the necessary capital is not available indigenously; the only way to put an end to the process is political or military.

The dependence produced by multinational corporations is not simply characteristic of relations between advanced and underdeveloped nations but is also a relationship built into the structure of multinationals. One of the ironies of foreign direct investment is that once it is set in motion, its own logic turns it into a Catch-22 situation. A subsidiary that is encouraged not to expand will continue to return a substantial rate of surplus to its parent because its retained earnings will not be reinvested but returned to the parent. On the other hand, a company that is encouraged to reinvest its "made abroad" surplus abroad will continue to grow, generating a greater surplus and returning a lower proportion but an absolutely greater amount to the parent, while expanding the parent's control abroad. In either case, capital will be withdrawn from the subsidiary.

Dependency relations are established because it is in the interest of powerful nations to maintain that kind of relationship and as a consequence to contribute to the underdevelopment of the less powerful nation. **The relationship is valuable to a powerful nation not only because of the capital it produces but also because it ensures raw materials, a labour supply, and markets. It is in the interest of powerful nations to maintain a state of "artificial backwardness," to use T. Balogh's phrase, and it is also in the interest of the elite of the less powerful areas to maintain this relationship because it reinforces their position vis-a-vis the rest of the population and, as a consequence, binds their privileged position to the maintenance of the existing structure of inequality.[76]**

Obviously, there are degrees of development, overdevelopment, and underdevelopment -- varying positions on the chain -- evident in the economic relationship of the United States, Canada, and Latin America. From the preceding, it becomes apparent that because of uneven development, even within a particular country such as Canada, the various sectors of the economy can experience differing degrees of dependence and underdevelopment. **In Canada, manufacturing and resource exploitation have been externally induced and have become dependent upon U.S. capital, markets, and development while the circulation and service sectors have been controlled by a highly developed sector of the indigenous capitalist class that has chosen to extend itself into other underdeveloped areas of the world rather than compete with foreign interests in its own country.** Latin America, in turn, bears the brunt of both systems: U.S. multinationals in pursuit of resources, markets, and extension of their internal manufacturing and Canadian extensions of the financial and utilities sectors. This relationship holds whether one is considering direct U.S. involvement or indirect (go-between) involvement through U.S.-controlled subsidiaries operating from a Canadian base. The U.S. capitalist class benefits from both relationships because its manufacturing and resource activities give it extensive control in Canada and also in Latin America where it also benefits from financial activities.

A country's development is affected also by the stage of capitalism in which it finds itself when outside intervention occurs. **For example, the indigenous control in Canada of the finance, transportation, and utilities sectors is largely attributable to the historical environment in which they were developed. It was an era when Canada was receiving British portfolio investment, which allowed capitalists in these sectors to pay off their debts and gain autonomy. The resource and manufacturing sectors, on the other hand, have been developed by U.S. multinationals with direct investment and have remained under outside control instead of achieving autonomy.**

Many Latin American countries experienced a similar development in the transportation sector, especially railways, which were typically state-built, but they did not gain the same autonomy in finance. In the Caribbean it has been in large part the highly developed banking and insurance companies from Canada, which began operations in the area as early as 1889, that limited the indigenous potential in this sector. Mining and petroleum enterprises were in many cases initiated by indigenous Latin American capitalists, but very early in their development U.S. direct investment appeared equipped with large capital reserves, technology, and markets, so that these sectors were soon taken over. Manufacturing has principally been originated by U.S. multinationals extending their operations to avoid tariffs and using local resources and labour.

This suggests that the degree of development a country can reach is also influenced by the manner in which the outside intervention makes its contact and the stage of internal development of the country at the time. When there is external intervention, an entrepreneurial class does not arise from the society but is typically created out of an extension of the landed aristocracy or substituted for by foreign corporations. Secondly, when profits are generated, they are reinvested by the controllers of the external investment. Eventually, more capital is sent out than is sent in, leaving the country capital-poor rather than generating more capital for indigenously controlled reinvestment. **The national government is also usually left capital-poor because it has contracted heavy loans to set up basic services, such as railways and utilities, and must begin the long process of servicing the debt by taxing the indigenous population. Doing so is particularly difficult when tax incentives have been used to induce outside development**. And because foreign development creates powerful positions within the country and recruits influential nationals, increasing dependence follows.

Uneven levels of development in an underdeveloped country are reinforced as some areas become industrialized and rely on maintaining internal colonies for their own positions of power. **This is particularly the case where influential citizens from the indigenous landed aristocracy are recruited to powerful positions within branch plants because this status reinforces their power position within the country**. They are able to maintain traditional social structures without competition because emerging industrial interests that might see it as advantageous to destroy the old power structure are limited in their growth.

There is a partial instance of this pattern in the early construction of Canadian canals and railways, which involved heavy government subsidies besides "reliance upon government as the pipeline to foreign capital. It also gave a particular cast to the power structure of the Canadian economy. Relative backwardness, as in other cases, encouraged centralization of power and an intimate alliance of political and economic leadership."[77] **Here an alliance between powerful financial interests and politicians was reinforced and encouraged by the way foreign capital was channeled into Canada. The utilities network was initially constructed with foreign portfolio capital that had to be serviced through public funds**. The same pattern occurs in many Latin American countries where local power structures are reinforced through outside funding designed to provide services essential to corporate development.

Within Canada the externally induced activities dominant during the initial staple phase and later during the advanced staple phase, in pursuit of more technologically oriented resources such as pulp and paper, oil and gas, and minerals, served to reinforce leading Canadian capitalists while at the same time shaping the Canadian economy in the interests of external markets and needs. The result was a concentration on extractive industries and a lack of industrial development.

The experiences of Canada and Latin America, when compared, are similar in the underdevelopment of industrial sectors, although Canada's level of industrialization is much higher. In each case, local capitalists gained their positions of power by acting as mediators between indigenous natural resources and external markets. All the governments were concerned with raising revenues through taxes, royalties, and duties to service loans they had made to finance the transportation and utilities sectors. Both areas have been caught in the web of mutual dependence between external and internal elite groups that reduces the likelihood that an indigenous elite from the industrial sector may rise to dispute successfully the power of the internationally dependent elite. This has been a similar experience for both Latin America and Canada.

In the triangle of relationships among the United States, Canada, and Latin America, some members of each elite are commonly allied in a mutually rewarding association. It should be noted, however, that the alliance is imposed by the nation that commands the greatest resources. **The go-between nation that is forced to rely on the powerful member does not have this ability, but the benefits accruing from this intermediary role can be said to make Canada an "affluent annex" in the sense of being a subsidiary or supplementary structure of the United States**. This comfortable position does not prevent some of the more powerful members of the Canadian capitalist class from engaging in independent multinational ventures. Where it applies to Latin America it does not prevent aspiring elites from attempting to gain independence from the United States, particularly through political means. This argument is only asserting that, within the international system of capitalism organized through multinational corporations, the structural relationship among the three areas is such that the United States is dominant and Canada enjoys the advantages of being intermediary and the disadvantages of being dependent while Latin America remains primarily dependent, as long as its external ties are unbroken.

In terms of international stratification the United States has a hegemonic place in the group of three, but the power of national elites within their particular nations should not be underestimated. In Canada and Latin America important areas of decision making and national sectors remain under indigenous control. Only in the sectors where a strong native elite long ago established roots and has been able to protect a sphere of influence with legislation does national control remain predominant.

Two levels of inequality have been focused on here, inequality between nations and inequality within nations, each of which is related to and reinforced by the other. The distributive mechanism that dominates economic relations between the United States, Canada, and Latin America is the multinational corporation, which serves as a means of withdrawing resources, capital, and decision-making power from underdeveloped areas. **The result of this withdrawal is that under the existing economic structure the lesser partners will not generate internal capital needed to break out of the cycle. Rather, they will continue to be dominated; this is the character of foreign direct investment and its instrument, the multinational corporation.**

The political consequences of dominance are important in two respects. First, sectors that are dominated by multinationals are being developed for the requirements of the multinationals, not for the establishment

of an integrated national economy. Secondly, the degree of freedom for decision making by the political elites of these nations has been eroded. ***It does not appear that the capitalist framework can provide economic solutions to dependence on powerful corporations. Political solutions may break the chain, although many contingencies can prevent them from being applied or succeeding. Besides being strong on their own, multinationals are able to call on their parent governments for political or military intervention***. They also have their alliances with powerful political and economic elite groups in the nations in which they operate.

Since Canada's economy is at once developed and underdeveloped, its economic elite is both powerful and dependent. To reduce the question to whether Canada is "exploited or exploiter" in the world system misses the fact that its elites exhibit both qualities.

Taking a broad view of the world order, it is clear that Canada sits firmly among the advantaged. It is futile to argue that this is not so because there are so many poor and deprived persons in Canada; even in the United States, with over half the world's wealth, a quarter of the population lives in poverty.[78] Rank in the world order is based on the distribution of resources among the nations, not the inequalities of distribution within them.

Proximity to the United States cannot be the entire explanation for Canada's intimate relationship with that country, but proximity has facilitated the bringing together of the two economies. Geographical determinism aside, Canada's shared border with the United States is a significant factor because it facilitates transport of raw materials from Canada to the United States, it makes possible a continental rather than a national commodity market, and, in the political-military sense, it prevents, within certain bounds, an autonomous Canadian world stance.

As suggested earlier, there is a tendency to conceptualize international relations exclusively in terms of nations. For a more detailed analysis of the continental system, however, it is necessary to examine the relations of specific corporations and specific class fractions. Some elements of the Canadian capitalist class have become internationalized and are international powers in their own right; others are internationalized through their relations with foreign-controlled corporations. Still other elements are relatively autonomous in relation to the internationalized sectors but are not unaffected by them. ***Overall, however, it would not be correct to view Canadian capitalists as imperialist in their own right.*** **To the extent that they have participated in foreign investment, it has been largely in the remnants of the old British Empire and in the backwash of the United States. In some areas, particularly banking and life insurance, they have become important international actors but not on a scale, or with political-military support from the Canadian state, that could be considered independently imperialist. Were the U.S. umbrella to collapse, as the British Empire did earlier, they would be caught in the downpour.**

The separation of power between the Canadian economic elite and the U.S. economic elite operating in Canada is not one that creates a "countervailing" situation. Instead, the elites tend to reinforce one another within one continental economic system in which the U.S. economic elite dominates.

(End of Chapter 5 selection)

Continental Corporate Power

Economic Linkages between Canada and the United States

Wallace Clement (1977)

CHAPTER SIX (a)

Continental Corporate Structures and Interlocking

(All emphasis by the Web Ed.)

Investigations of economic concentration, ownership ties, and corporate interlocking are three approaches to establishing trends and patterns in the economic power relations between and within Canada and the United States (...)
(...)
As Robert Fitch and Mary Oppenheimer have shown, "the new structure enables banks to engage in a number of activities previously forbidden to them: control of insurance companies and mutual funds, operation of leasing companies in trucks and computers."[25] **Major banks have also kept pace with the recent conglomerate movements, assisting companies like ITT and Gulf and Western; they "financed acquisitions, furnished key financial personnel to conglomerates, and were even willing to clean out stock from their trust departments to aid in takeover bids."[26]**

Banks have also been expanding their foreign operations, both independently and to provide for the needs of other U.S. multinationals. "Between 1965 and 1972, U.S. banks more than tripled their foreign locations from 303 to 1,009."[27] Although only Citicorp has a direct affiliate bank in Canada (the Mercantile Bank, which ranks ninth in Canada and is not dominant), U.S. banks are important in the Canadian capital market. U.S. and other international financiers consistently direct their operations in Canada to resource and hydro activities, particularly those with high state involvement. Two outstanding examples of this are Brinco Limited and James Bay. Beginning with hydro, where their major involvement is with the state and bonded debt, they gain access to provincially controlled resources. Robert Davis and his colleagues give some indication of this:

> **["] For lined up behind the James Bay project -- which includes not only electricity but also the possibilities for tapping the mineral deposits of the Quebec north and the hard-earned cash of the Quebec taxpayer -- is an awesome array of economic power which includes the largest financial houses in the world, such as the Morgan Group, the Humphrey-Hanna Group, the Rockefellers, the Rothschilds and the near-infinite web of their corporate connections.["][28]**

A similar pattern exists at Brinco, controlled by Rio-Tinto Zinc, part of the House of Rothschild and also associated with the House of Morgan. Top U.S. financiers perform various services for many other Canadian and U.S. companies. For example, Morgan Stanley and Company, the New York investment banker that represented the International Nickel Company of Canada in 1974 in its battle for control of ESB Incorporated (the world's largest battery maker), also raises capital through stock and bond issues. Among its clients are six of the top ten U.S. industrials and eleven of the top twenty, including AT&T, Exxon Corporation, General Motors, Texaco, Mobil Oil, General Electric, International Business Machines, and United States Steel.[29]

Canadian bankers have been active in encouraging U.S. capitalists to enter Canada, as the following report of a New York investors' conference in March 1971 illustrates:

["] ***Eight top Canadian bankers appealed to U.S. financiers yesterday to step up investment in Canada. The bankers indicated they will fight Canadian government moves to restrict foreign capital...*** The panel answering questions from 300 influential U.S. money managers includes G. Arnold Hart, chairman of the Bank of Montreal; W. Earle McLaughlin, chairman and president of the Royal Bank; Allen Lambert, chairman and president of the Toronto-Dominion Bank... J.P.R. Wadsworth, deputy chairman of the [Canadian] Imperial Bank of Commerce; Thomas Boyles, deputy chairman of the Bank of Nova Scotia.[30]

Not only have Canadian financial capitalists promoted U.S. investment but they have also fought to keep barriers to that capital to a minimum (except, of course, on their own turf).

Although only two dominant U.S. insurance companies have Canadian operations large enough to be considered dominant, nineteen of the thirty-five dominant U.S. financial companies have Canadian subsidiaries (see Table 17, p. 142). Only 54 per cent of the dominant U.S. financial companies have any Canadian subsidiaries, a lower proportion than among resource or manufacturing companies. The direct operations of the dominant U.S. banks in Canada are primarily in leasing. Six of the top ten have Canadian leasing operations, but only two of the next ten engage in this activity. In addition to its holding in the Mercantile Bank, Citicorp directly controls Citicorp Leasing International; First Chicago Corporation has First Chicago Leasing of Canada; Continental Illinois has 50 per cent of Builders Financial Company; Chemical New York has Chemco Leasing; Chase Manhattan has Gorwin Properties; Bankers Trust New York has both Killifreth Limited and Ontamont Company. One of the most interesting alliances is that between Bank of America, with a 49 per cent interest in North Continental Capital, a commercial and industrial leasing company, and Laurentide Financial, a subsidiary of the Canadian dominant Power Corporation, which has a 51 per cent interest. Bank of America also has a substantial holding in Montreal Trust, another Power Corporation subsidiary.[31] Power operates with ease in the continental economy. More will be said about the role of financial institutions, but first we will review the other sectors and dominant corporations.

Trade Corporations

The ten dominant U.S. companies in the trade sector have average assets of $2.42 billion and sales of $5,353 billion -- less wealthy than the financial companies but about the same as companies in other sectors. Towering above the other nine is Sears, Roebuck and Company with assets of over $10 billion and sales of over $12 billion. Beyond the retail trade, Sears, Roebuck has entered into a joint venture with Aetna Life and MAFCO (a division of Marshall Field) to build a $250-million land development.[32] While the retail trade sector is traditionally one of the most competitive, there is evidence that the competitive spirit does not loom large among the dominants. For example, that "rival" dominants (...) check on one anothers' prices.(33)

(...)

Resource Corporations

Resource companies can be divided into two types, metal mining (with two dominants, Kennecott Copper and AMAX Incorporated, formerly American Metal Climax) and oil and gas extraction (with eleven dominants). **These thirteen companies are not the only dominants involved in resource extraction, for many of the manufacturing companies have resource activities as part of their manufacturing operations through vertical integration. The most obvious ones are the nine dominant manufacturing companies in petroleum refining. But there are also companies, to be discussed shortly, that in Canada are resource companies but whose main activities in the United States are in manufacturing (particularly the steel industry and its iron ore operations in Canada).**

The oil and gas extraction companies, on average, are much larger than those in metal mining, with assets of $6,972 billion against $1,845 billion and sales of $6,842 billion against $1,366 billion, and they even tend to be very large compared to other non-financial dominants. As in many other sectors, one company stands well above the others; in this category it is Exxon, with both assets and sales of over $25 billion.

The name of Kennecott Copper suggests its major activity, while AMAX has diverse interests in coal (the fourth largest in the United States), molybdenum, iron ore, nickel, and alumina. In 1975, Standard Oil of California, a dominant petroleum refiner, purchased 19 per cent of AMAX, paying with $333.4 million in cash and stock in Chevron, its subsidiary. Plans were immediately made to add another 700,000 shares to the 5.9 million now held.[41] This development is consistent with the general observation of James Ridgeway:

> ["] By 1970 it was made plain that the oil and gas and coal companies had reorganized themselves into what was called an "energy industry,"* and were off on a new tack. Not only had the coal industry become more concentrated with ten firms controlling more than two-thirds of all production, but also nearly two-thirds of the top fifty companies were owned by companies in other industries.
>
> Seven of the leading 15 coal producers were oil companies, including 5 of the largest. In the previous five years oil companies had increased their share of the national coal production from 7 to 28 per cent.["][42]

There is clearly a movement on the part of the dominant resource companies to diversify beyond a particular resource into a broad range, with the result of centralizing even further the resource industry and squeezing smaller independent resource companies out of the market. Resources are not the only area into which oil companies have diversified. In April 1976 Mobil Oil absorbed Marcor, the parent company of Montgomery Ward and Container Corporation of America.

More than any other sector, the resource companies have spread throughout the world. As mentioned earlier (p. 106), 100 per cent of the dominants in this sector are multinational, and no one will be surprised that all have Canadian subsidiaries. Among them, these thirteen dominant U.S. resource companies control 10 of the 113 dominant Canadian corporations and operate a total of thirty-seven major subsidiaries in Canada. Neither Kennecott nor AMAX has a dominant Canadian subsidiary, but this is attributable more to the way they organize their Canadian operations than to their size. Kennecott has five Canadian subsidiaries and AMAX seven, but neither consolidates its Canadian operations under one company in Canada; rather, all are directly owned by the parent corporation in the United States.

Companies in the oil and gas extraction sector in addition to their dominant holdings in Canadian resources have extensive other holdings, particularly in pipelines, which tend to belong to consortia of U.S. dominants from this sector. Figure 2** illustrates six instances of joint ownership of pipelines. There are other examples of this type of holding -- Sun Oil's 55 per cent in Sun-Canadian Pipeline or the joint control by Amerada Hess Corporation, Union Oil Company of California, Gulf Oil, and others of the Peace River Oil Pipeline -- and there are also joint holdings in activities other than pipelines. The most important example of this is probably Syncrude Canada.*

* An in-depth analysis of the relationship between U.S. dominants and Canadian petroleum is beyond the scope of this discussion. **A detailed analysis of Canada's relationship with the U.S. in terms of petroleum, gas, electricity, uranium, and water is available in James Ridgeway's** *The Last Play,* pp. 86-108.

***(See Figure 2 conclusion of Chapter 6 -- Web Ed.)*

Larry Pratt's "*The Tar Sands,*" a detailed analysis of Syncrude and important aspects of the oil industry in Canada, provides important insights into the nature of control in a consortium:

> ["] Syncrude's decisions are made collectively, with the joint executive and management committees, made up of Syncrude's staff plus executives of the participants,

reporting to the owning interests. Power resides in the participating owners and relatively little decision making authority or legal power is delegated to Syncrude's operations staff. All the owners take an interest in Syncrude's affairs, but within the consortium the senior partner is clearly Exxon's Canadian affiliate, Imperial Oil.["][43]

Companies in resources more than firms in any other industry tend to form consortia. For example, the Canadian Arctic Gas Study Limited includes among its partners fifteen dominant Canadian and U.S. companies. **Discussing the popularity of consortia of this nature, Edgar Dosman said: "Competition has been eliminated in the name of efficiency. Arctic Gas, for example, nurtured by Ottawa, solved the problem of competition by including all potential rivals. Both senior officials and corporate executives aimed for industrial stability in a partnership"(44) ...instead of leaving the giants to fight it out, consortia fosters a stable and lucrative "partnership."**

(...) ***Manufacturing Corporations*** *– "A note on Alcan Aluminum Limited – Alcan's situation is in many ways similar to that of INCO. In fact, when CALURA reclassified INCO as a Canadian-controlled company, it also reclassified Alcan the same way." (Note 53: Canada, CALURA, Annual Report for 1972, p.16)*

III. Interlocking between the Indigenous Elite and Branch Plants in Canada

Thus far the relations within Canada between U.S. subsidiaries and the indigenous Canadian elite have not been explored. Drawing the distinction between the dominant indigenous and comprador fractions of the elite must be done with care, because the indigenous and comprador groups overlap. The crucial difference lies in their respective bases of power. **The individuals who are comprador have as their main base of power a position, usually in the senior management, in a branch plant of a foreign-controlled firm; the indigenous fraction has independent Canadian-controlled bases of power.*** A distinction, therefore, must be made between the comprador roles through the structure and through the individual. "Structural compradorization" represents a set of uppermost positions in the foreign-controlled branch plants, while "individual compradorization" represents a set of persons occupying these positions whose main affiliation is with a branch plant. Some indigenous members also hold comprador positions, but these are secondary to their main Canadian-controlled positions. In this study the distinction between the two forms is made on the basis of a self-reported statement** of the "main occupation" of these persons, and if it was other than corporate, such as a law firm, the country of control of most of their corporate affiliations was used.

It is important to note that persons who are recruited to the highest positions are selected by those in control at that time. There is very little legislation now operating that would dictate the nature of these appointments. As Mitchell Sharp made clear when he was minister of external affairs, the federal government "was aware that a firm required to alter the composition of its board by law might seek out passive directors. And it was aware that key decisions are often taken, not by the board of a subsidiary, but by the board of the parent company itself."[56]

(...)

* If there are ten elite positions in a branch plant, all ten *positions* are foreign controlled. When some of these positions are occupied by persons with other primary activities that are Canadian controlled, say as insurance company or bank presidents, these persons are *individual* members of the Canadian indigenous elite but hold comprador *positions* in the branch plant along with their main indigenous positions, hence the difference between individual and structural compradorization.

**The statement appears in the *Financial Post Directory of Directors,* which asks each person listed to indicate his "principal occupation."

(...)

While it is valuable to focus on the activities of elites, it is also necessary to distinguish the effects that U.S. investment patterns in Canada have on the nation as a whole from their effects on the elite. The economy of Canada is very much integrated through resource extraction, power production, transportation, manufacturing, and marketing with the economy of the United States. Moreover, the United States, either directly or through its branch plants, serves as an important outlet for Canadian financial investments. The net impact of this situation is paradoxical; it has produced both economic growth and underdevelopment. **As a whole, Canada is dependent on the U.S. economy and the decisions of its economic elite. But many members of Canada's economic elite, who have fostered this arrangement and benefited from it, have integrated themselves as active participants in this system of dominance.**

(end Chapter 6)

(See pictoral files of Figure 2 and Figure 4)

NOTES

(...)

25. Fitch and Oppenheimer, "Who Rules the Corporations?" 104-5.
26. Barnet and Muller, *Global Reach,* pp. 239-40.
27. U.N., Dept. of Economic and Social Affairs, *Multinational Corporations in World Development,* pp. 14-15.
28. R. Davis, M. Zannis, and R. Surette, "Why David Rockefeller Was in Quebec City," in *Let Us 0Prey,* ed. R. Chodos and R. Murphy, p. 96.
29. See *New York Times* 25 May 1975: III, 1, 10.
30. *Toronto Star* 19 Mar. 1971: 1.
31. *Moody's Bank and Financial Manual* (1974): 420-22.
32. Ibid., p. 3200.
33. *New York Times* 18 Dec. 1974: 67.

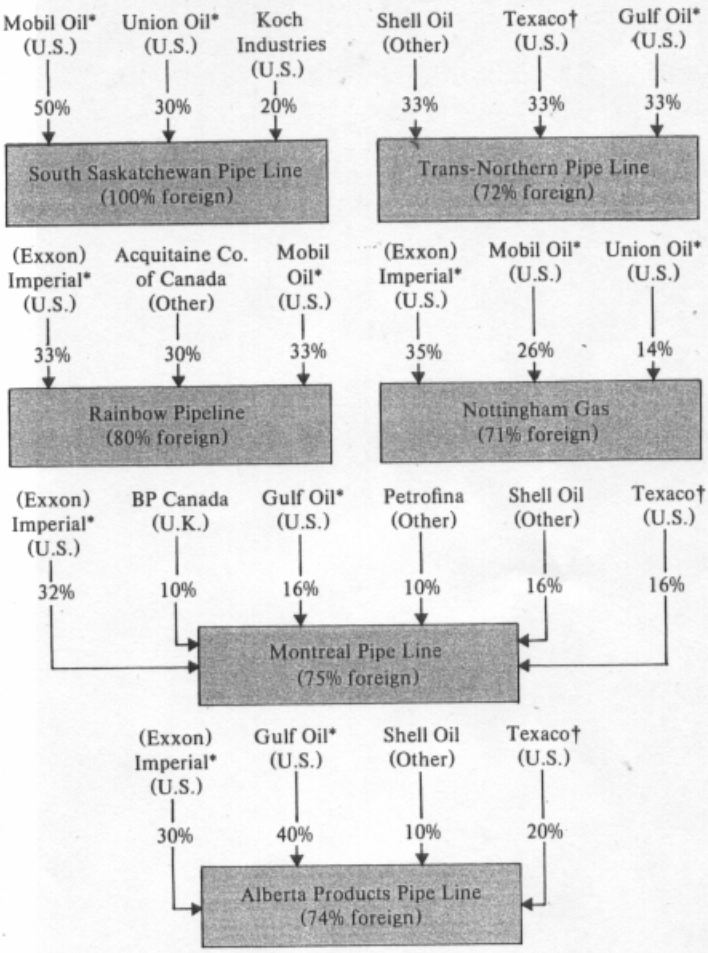
(...)

41. *Ottawa Journal,* June 1975.
42. J. Ridgeway, *The Last Play,* p. 77.
43. L. Pratt, *The Tar Sands,* p. 120.
44. E.J. Dosman, *The National Interest,* pp. 214-15.

(...)

50. J. Laxer, "Canadian Manufacturing and U.S. Trade Policy," in *(Canada) Ltd.,* ed. R. Laxer p. 138
56. *Globe and Mail* Jan. 1972.
57. Clement, *Canadian Corporate Elite, [1975]* pp. 150-55.

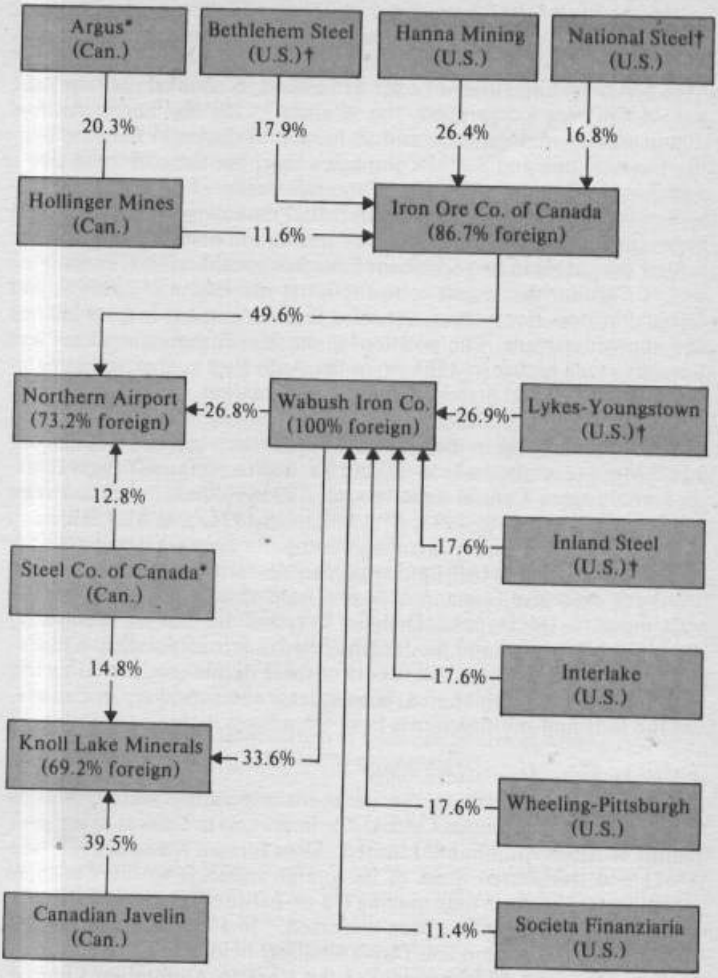
SEE ALSO on the subject of Chapter 6: "Structures and Interlocking:"
"The composition of three major bank boards of directors" in:
W2-1973c-LSA-R.D.: “The Chartered Banks and their role in Canada-U.S. Relations”


Mobil Oil* (U.S.) 50%
Union Oil* (U.S.) 30%
Koch Industries (U.S.) 20%
South Saskatchewan Pipe Line (100% foreign)
Shell Oil (Other) 33%
Texaco† (U.S.) 33%
Gulf Oil* (U.S.) 33%
Trans-Northern Pipe Line (72% foreign)
(Exxon) Imperial* (U.S.) 33%
Acquitaine Co. of Canada (Other) 30%
Mobil Oil* (U.S.) 33%
Rainbow Pipeline (80% foreign)
(Exxon) Imperial* (U.S.) 35%
Mobil Oil* (U.S.) 26%
Union Oil* (U.S.) 14%
Nottingham Gas (71% foreign)
(Exxon) Imperial* (U.S.) 32%
BP Canada (U.K.) 10%
Gulf Oil* (U.S.) 16%
Petrofina (Other) 10%
Shell Oil (Other) 16%
Texaco† (U.S.) 16%
Montreal Pipe Line (75% foreign)
(Exxon) Imperial* (U.S.) 30%
Gulf Oil* (U.S.) 40%
Shell Oil (Other) 10%
Texaco† (U.S.) 20%
Alberta Products Pipe Line (74% foreign)

*Dominant U.S. oil and gas company.
†Dominant U.S. petroleum refining company.

NOTE: Percentage of foreign ownership includes partial Canadian holdings in subsidiaries. "Other" refers to companies controlled outside Canada, U.S., or U.K.

Fig. 2. Holdings of dominant U.S. oil and gas companies in the joint ownership of six pipelines in Canada, 1972.



*Canadian dominants
†U.S. dominants in metal manufacturing

NOTE: Percentage of foreign ownership includes partial Canadian holdings in subsidaries.

Fig. 4. Joint ventures of U.S. and Canadian dominant companies in the metal-manufacturing and resources sectors in 1972.

Continental Corporate Power

Economic Linkages between Canada and the United States

Wallace Clement (1977)

CHAPTER TEN

Implications of the Continental Economy for Canadian Society

(All emphasis by the Web Ed.)

Is it correct to argue that multinational corporations "transcend the nation-state?" In the sense that capitalism is international and not confined to a particular national territory, it is correct. But this is not all that is implied in this argument. To the extent that it implies that multinationals are without national bases, are without important national ties, and do not need the protection, legitimacy, and resources of the home state, the argument is clearly wrong. At the most basic level, and this is what binds the capitalist class together, nationally or internationally, multinationals must maintain a capitalist society where property rights are ensured. **To provide this most basic guarantee, multinationals need nation-states. Yet multinational corporations do not promote an equal sharing among or within nations of the resources they control. On the contrary, they ensure that inequality within and between nations will be maintained and even expanded.**

Since Canada is located midway in the world economic system, acting as both a receiver of branch plants from foreign-owned multinationals and a base for Canadian multinationals operating in the rest of the world, its place in this world system of inequality is ambiguous. The two types of multinationals dominate Canadian industry, resources, and trade patterns; the nature of the Canadian labour force and of research and development is shaped by their presence; and they have great leverage in dealing with various branches of the Canadian state. The power contained in these companies is private power, exercised by sets of people in ways they feel to be most beneficial to themselves and their companies, with very limited accountability for their actions to the people directly affected. **Those who own and control these enormous operations are not subject to popular elections, nor are they often brought to account publicly for their decisions. They are a self-selecting, self-perpetuating set of people who have wide-ranging control over the lives of Canadians and the shape of Canadian society.**

In the world system there are some barriers to capital, or more specifically to capitalists, that limit the activities of multinationals. The most important of these is political, and the half of the world that is not capitalist imposes important limits on the "free" movement of multinationals (e.g. China or Cuba). Aside from this, some nations regulate the type, amount, and areas of multinational intrusion from the outside (e.g. Japan or Sweden). Besides political barriers, a strong obstacle to multinational expansion is local capitalists already engaged in economic activities who are able to fight for their turf. This opposition has varied with the period of entry and the kind of economic activity (e.g. Canada or Europe). **But to stress these constraints is to miss the tremendous freedom giant capitalists have in much of the world to extract economic surplus. This is nowhere more evident than in the relationship between the United States and Canada, the subject of this study**.

Since the end of the Second World War, the United States has lost some of its hegemony in the world system, although it remains the most powerful of the capitalist nations. While the absolute GNP of the United States continues to rise, its share of the "gross world product" is on the decline (from about half in 1950 to about a third in 1976). Countering the United States in the post-war era have been the USSR *(the then Russian Soviet Union with its nationalized 'socialist' economy -- Web Ed.),* China, Japan, and the European Economic Community. Nevertheless, **Canada's reliance on the United States has steadily increased and its other outside relations have declined dramatically (Canada's exports to the United States have increased from about half of all exports in 1961 to over two-thirds in 1971). Canada cannot easily withdraw from the continental economy and shift its trade elsewhere because**

now, unlike earlier periods, much of its "trade" consists of intra-company transfers to U.S. parents. Canada is, therefore, locked into the continental economy, even if other nations challenge the world hegemony of the United States.

I. The Nature of the Canadian Elite: The Question of Domination

As has been stressed throughout this study, multinationals alone do not explain the amount of U.S. direct investment in Canada's sphere of production. At least part of the answer lies in the nature of dominant Canadian capitalists and their essentially complementary relationship with U.S. control in production. These elements in turn are related to the nature of the Canadian elite. For example, the explanation of why the Canadian economic elite is more exclusive in 1972 than it was in 1951 (from 50 per cent upper-class origin to about 60 per cent) is more complex than simply U.S. penetration, because the U.S. comprador elite in Canada is more open to mobility than the indigenous elite. There is, however, a direct relationship. **The Canadian indigenous elite is boxed in by its own past, in which most of the productive areas of the economy -- manufacturing and resources -- were given up to foreign capitalists, and it has meanwhile stayed safely one remove from industrialization and enriched itself on the avails -- interest on capital, provision of services such as transportation and utilities, and the buying or selling of existing companies. The narrowness of its recruitment base has been induced by its specialization.**

What happened to the powerful Canadian commercial interests at the turn of the twentieth century that saw Canada as the rising centre of a new imperial design? Internationally, they declined with the British Empire. Internally, they shared their power in an alliance with U.S. industrial capitalists. They have not faded quietly away. Their legacy remains in an overdeveloped financial and transportation/utilities system in Canada and in the remnants of their commercial activities in the rest of the world, particularly in the West Indies. But just as their earlier prosperity depended on the hegemony of the United Kingdom, so their continued prosperity is now predicated on the ascendancy of the United States.

The power of Canadian capitalists in the circulation sector has shaped Canadian society in many ways. An economy dominated by financial capitalists, particularly ones whose business is mainly in long-term interest-bearing investments (unlike the many equity dealers among U.S. financial capitalists), will not strongly resist state ownership of particular sectors such as transportation or utilities because they can still extract their surplus by investing their capital in those enterprises, regardless of ownership. Moreover, these outlets are much more secure than private outlets, at least private entrepreneurial ventures. **The financial capitalists are thus unlikely to fund entrepreneurial capitalists in Canada, but when the state takes charge of wavering capitalist ventures -- such as the railways that became the CNR -- the owners who are bailed out and the financial capitalists who hold their debts can only be pleased** *(however, by the 21st century, many state "jewels" have been privatized --CNR, National Wheat Board, etc. -- under the "watch" of our indigenous elite -- Web Ed.)*

Nor are Canadian financial capitalists at a loss for a defence. For example, before a Vancouver Board of Trade gathering in late 1975, Earle McLaughlin, president and chairman of the Royal Bank, proceeded to list the major capital-intensive projects in Canada's future such as the Alberta tar sands, James Bay hydro, and Arctic pipelines, going on to explain that consortium financing is becoming an important activity of the major Canadian banks. This is a way in which banks can get together to share the financing and to spread out the risks of these gigantic capital projects.

Can you imagine trying to form a loan syndicate to finance a major gas pipeline with hundreds of little banks? So don't underestimate the advantages of the Canadian system with its very big banks.[1]

Whether the project is owned by a consortium of U.S. and state capital, by state capital alone, or by U.S. capital alone, the banks are equally willing to "share." Their correspondent relationships with one another help secure their dominant place rather than threaten it.

McLaughlin's logic is sound, given one assumption, which is that the state needs to go to the "private market" to finance such ventures. **In a capitalist society, the logic is certainly sound, since it is the private financial capitalists that control the greatest capital reserves**;

(if one 'forgets' the overreaching capacity of the State itself to finance economic development -- and profit from it for public welfare --Web Ed.) **and they determine to whom they will lend these reserves.** But what McLaughlin fails to ask is, what are the disadvantages of a banking system where over 90 per cent of all activity is controlled by only five banks? *(as well as perhaps one small detail which none of our academic nationalists seemed to have dealt with -- the privatized Bank of Canada? -- Web Ed.)*

One disadvantage is well known to small capitalists, who certainly do not need bank consortia to finance them. Because of their orientation to "bigness" (which means security), Canadian financial capitalists were drawn to the industrial corporations controlled from the United States rather than to small Canadian industrialists. At the turn of the century, as Canada began its process of industrialization and as corporate capitalism was taking hold, a major outlet for capital was opened in the sphere of production, and Canadian financial capitalists did not hesitate to enter into this activity, but did so in their own way. If these Canadian financial capitalists were to retain their traditional pattern of stable, long-term, interest-bearing investments, they had to search for appropriate outlets. They would suffer losses if there were no outlets that could generate surplus, but if there were surplus-generating outlets in production, they could maintain their strong and secure position. **The need for productive outlets explains the search for them by Canadian financiers, and it did not matter whether they were Canadian or U.S. controlled.** Indeed, since the U.S. industrial system was further advanced in technology, management, and marketing, the U.S. companies were often favoured as more secure investments. Complementing the financial capitalists' search was the willingness of U.S. industrialists to expand as their national market was filled and resources were needed.

In the present age of corporate capitalism, which has witnessed the coalescence of industrial and financial capital, it might have been anticipated that the two would become one, but the Canadian dominant capitalists have found it difficult to abandon their past, a past that they have found profitable and secure even in an industrial age. **They have remained with financial and related mediating activities, carried over from their old imperial ties with Britain, and from this stable base of power they have entered into an alliance with U.S. industrial capitalists at home and extended their own base of power abroad under the U.S. sphere of influence**. **The existence of a developed industrial structure to the south that could be imported to Canada by way of branch plants provided the surrogate for indigenous industrial development**. Although they are still active in some industrial fields, particularly in steel, so closely tied to earlier railway expansion, and food and beverages, tied to agriculture, they have abandoned most other manufacturing pursuits and almost all resource-related activities outside the traditional pulp and paper field, historically key staples.

While in class societies the various classes are related to each other by unequal exchanges that form asymmetrical relationships based on surplus extraction, various fractions within the same class need not be so related. That is, various class fractions, such as industrial and financial capitalists, may form symmetrical relationships within a broad economic system, each mutually complementary to the other. If these alliances cross political boundaries, then little matter -- capitalism is international. But various fractions within a class may make alliances more readily than others. For example, Canadian financial capitalists at the beginning of this century had to choose an ally in moving Canada into an industrial era. They had the choice of the nascent Canadian industrialists, the counterpart of today's middle-range indigenous capitalists, or their powerful U.S. competitors, the counterpart of today's dominant comprador capitalists. Consistent with their philosophy of stable investments, they chose the latter. In some instances compatible with the movement from entrepreneurial to corporate capitalism, they chose to enter industrial activities themselves, not as entrepreneurs or industrialists but as financiers, by consolidating existing small-scale industries into corporate complexes.

The upshot is that the power of Canadians to make decisions about specific economic activities in Canada has regressed to a state of underdevelopment (although not total underdevelopment of "material" well-being), with control over future development and stability lost because of the lack of an indigenously controlled base in manufacturing and resources. In the overdeveloped finance, transportation, and utilities sectors originally built on U.K. portfolio investment, the dominant indigenous capitalists now in control still remain powerful components of the total class. ***I*n other words, the process of compradorization has been**

sector specific and took place in the presence of traditionally powerful Canadian capitalists rather than displacing them. The effect on weak capitalists in production was, of course, to bring about their downfall *(a partial explanation of the process of "de-industrialization" within Canada? -- Web Ed.)*

The resulting fragmentation of the capitalist class in Canada does not mean that the whole class is not still powerful vis-a-vis the working class -- indeed, it may have gained power because of its alliance with U.S. capitalists in the continental context. It does mean, however, that the Canadian component must commit itself to the continental context. The existence of a powerful Canadian commercial elite, based in the Canadian upper class, and a predominantly foreign-controlled elite in production means that Canada remains a "low mobility" society. Concentration and centralization in commercial sectors have been the work of indigenous forces while the same processes in the productive sectors have been imposed from outside (with the aid of Canadian capitalists in circulation). The result is a highly structured economy with few avenues through which the lower class can rise. The process of compradorization has offered a few middle-class Canadians mobility into the elite, but many of the uppermost positions created by this process have been filled by the indigenous elites. In fact, very few Canadians have moved from the branch-plant structure into the real power positions within the parent company. This middle-class comprador elite is largely trapped in the backwater of the U.S. subsidiaries.

Unlike the portfolio investment typical of the British Empire, the direct investment of the U.S. empire does not eventually break off as a result of economic forces alone but deepens its hold. Nor is there any reason to suspect that the indigenous capitalists in circulation are contemplating taking over the U.S. enterprises.

Is the size of the U.S. economy a sufficient explanation for the dominant position of U.S. capitalists in Canada, particularly in production? The Canadian society is clearly of a much smaller scale than that of the United States (with about one-eleventh the population). Size has two strong effects on the nature of their respective elites. First, because of scale, whenever the interpenetration of the two societies occurs, the United States overwhelms Canada. Secondly, because Canada is much smaller than the United States and the turf of Canadian capitalists is more limited, the Canadian elite is a much closer-knit community in terms of interaction and recruitment. But the difference between Canada and the United States is not only one of scale but also one of type, in the sense of the relative concentration of economic activities and the differing strengths by type of activity, as has been stressed so frequently. Would relations between Canada and the United States be very different if there were only the factor of a giant market eleven times the size of the Canadian to the south rather than this factor in combination with U.S. control of over half the entire manufacturing and resource sectors of the Canadian economy? The clear answer is yes. Ownership by Canadian capitalists would allow them to trade outside the United States to a greater degree than branches of U.S. companies are liable to do, thus reducing market dependency. In addition, surplus generated from Canadian operations would remain in the hands of Canadian capitalists for future growth, whereas under current conditions, much surplus is withdrawn to the United States or reinvested in the branch plants. But this discussion is merely an academic exercise. The reality is that the two countries are of radically different size and type. In combination, they have created the present structure of dominance.

As was argued in detail earlier, any attempt to analyse Canada in terms of a simple dominance/subordination dichotomy (as in many of the Latin American models of dependency) necessarily misses the complexity of its internal class and power relations. While *in general* the United States dominates Canada, and the dominant capitalists in Canada hold sway over those of the middle range, there are still important mediations between each and significant political struggles. It is important to look for points of alliance and of tension, points where each gains and where one gains at the expense of the other. While the type of methodology used here can specify some of these complexities, the real work in specifying these political struggles remains to be done through detailed case studies (some of which were reviewed earlier). But without some broader context, cases remain simply cases and do not lend themselves to broader trends and developments (such as those outlined here). For example, use of either the automobile or the steel industry in Canada would lead to radically different conclusions if they were not placed in the broader context of the economy as a whole. While one is clearly a dependent

industry, the other has enjoyed much more support from and success with indigenous capitalists. To understand how and why they coexist requires a broad understanding of the historical and contemporary development of the entire economic structure in Canada and its complex relationship with the U.S. structure.

II. Effects of the Continental Economy on Canadian Society

The "common sense" of Canadians (and the dominant ideology) would tell them that foreign direct investment means greater investment in their economy, more jobs and better ones, more affluence, and, however vaguely, "progress." **On the contrary, the "uncommon" reality is that after a brief period of growth, foreign direct investment means that more capital flows out of than into the economy; that there are fewer jobs in the capital-intensive branch plants than in Canadian-controlled firms; that there are few jobs in branch plants requiring highly trained manpower because much of the research and development is done in the country of the parent; and finally, that the "affluence" and "progress" created by these developments are deceptive, favouring the already privileged.** Each of these inequalities has been analysed, but one, regional inequality, merits closer examination.

Canada is a particularly fragmented nation. It is a federation of ten provinces and two territories, each of which has increased its demands for power vis-à-vis the central government since the dismantling of the Ottawa war machine created for the Second World War. But do these political boundaries alone explain regionalism in Canada? Are the real regional splits not based more on economics than on politics? **While political fragmentation aggravates regionalism, it is not itself the cause of regionalism. That cause must be found in the uneven development of the country and the branch-plant structure of corporate capitalism, both indigenous and foreign.**

"Regionalism" is an unequal sharing of the wealth and benefits a nation has to offer, expressed in geographical terms. But alone this is not a sufficient definition. There is also a relationship involved -- a region is a part of something else, and herein lies the key to the uneven-ness of economic development. It is only uneven when more capital and profits are extracted than are put in -- otherwise it is undeveloped, not underdeveloped. A region can only be underdeveloped if it is tied to an external economy that is doing the underdeveloping. The only way it can be truly developed is if all those on site who participate in the development share equally in the surplus produced. If part of the surplus is shipped outside, underdevelopment is occurring. This principle applies equally to class relations or to regionalism, the latter frequently passing for the former.

Upon examination, the issues of class and regionalism become closely intertwined because, at the most basic level, both are rooted in extractive relationships and both, in Canada, are reproduced through the institution of private property. This is not to say that there are no extractive relationships in societies that are not capitalist or that they too do not have a type of regionalism, but they have these problems for different reasons and under different political regimes.

When Canada is referred to as an industrial society, what is really meant is that part of it is industrialized -- the rest is more aptly characterized as a resource hinterland. Most of Canada's industrial capacity is located below a line beginning at Windsor, encompassing Toronto, and moving on to Montreal. This is industrial Canada; all other areas rely on key resources for their economies. In British Columbia the resources are wood, pulp and paper, with some hydro-electric power; they are gas, petroleum, and potash, along with wheat, in the Prairies; mining and pulp and paper in northern Ontario and Quebec, along with hydro; in the Atlantic region pulp and paper, fish, and some coal along with hydro in Newfoundland. **These outliers feed the Ontario-Quebec industrial heartland and the U.S. markets with their resources and, in turn, consume some of the finished products from these regions.** In finance the branch structure is represented in the dominant banks, all with headquarters in Toronto and Montreal and branches spread throughout the country to tap capital for the centre. The varied economies in these regions produce different types of class structures. At the same time, the regional economies are tied to national economies, and national economies to international economies. Thus, the regional class structures (and, contingent upon these, the varieties of life-styles and opportunities) are to some extent dependent upon the way they fit

into the national and international economic order. ***Regions that have capital and profits extracted from them will have limited access to the means of obtaining goods, services, and opportunities while regions that receive the extracted capital and profits have greater advantage. The overdevelopment of one region depends on the underdevelopment of another; the overdevelopment of one class depends on the underdevelopment of subordinate ones.***

Concretely, how does this pattern express itself in the economies of the various regions? The effects of different types of economies can be examined by looking at the tax bases they provide to the provincial governments. This method is significant because taxes are an important means for securing the revenues necessary to pay for various social services. **It can be readily demonstrated that the levels of industrial development impinge on the resources provincial governments have; moreover, it can be demonstrated that the effect of the continental economy is to aggravate regionalism in Canada.**

While Ontario has 36 per cent of the Canadian population, in 1972 it received 46 per cent of all provincial corporate taxes paid by non-financial companies, 51 per cent of the taxes paid by foreign-controlled companies, and 54 per cent of the taxes paid by U.S.-controlled non-financials. In the manufacturing sector 72 per cent of Ontario's taxes are from foreign-controlled companies.*

*Calculated from CALURA, *Report for 1972,* pp. 21-22, Statements 4 and 5. Data are available only on a provincial basis and do not lend themselves to intraprovincial regionalism.

Table 62 illustrates two aspects of regionalism. The first is seen in Ontario's over-representation in taxes from industrial corporations compared to the other areas of Canada. The second is evident in the effect of U.S. direct investments in compounding this over-representation in Ontario. Consistently, in all regions, the distribution of tax income by Canadian-controlled industrials is much more in line with the population distribution than is the distribution of taxes paid by uncontrolled companies. In other words, if it were not for U.S. industrials, the problems of regionalism would not be as serious as they now are for the Atlantic provinces, Quebec, and British Columbia. In the Prairies the situation is somewhat different because of oil revenues. This is evident in Table 63, which examines only manufacturing. Here every area except Ontario is underrepresented compared to its population base, although for income from Canadian-controlled manufacturing only, Quebec and British Columbia are actually above their proportions of the population. Mining provided the provinces with $279.7 million in taxable income in 1972, compared to $3,344.5 million from manufacturing, and Alberta alone received half of this income ($138.6 million), with 88 per cent of Alberta's share coming from foreign-controlled companies. In this sector all other provinces were well below their proportion of the population, with Ontario's 22 per cent the closest to its population base. Thus, it can be argued that foreign investment in manufacturing, because it has been so Ontario-centred, and in petroleum, because it has been so Alberta-centred, has added greatly to regional disparity in Canada. An understanding of regionalism in Canada requires a look outside to see the forces initiating the problems.

Aggravation of regional inequalities is not the only effect of foreign investment on Canadian society, although it is a major one. Many others have already been explored, such as the implications for research and development, the social rigidity caused by a limited base of power, and the fact that the resource sector of the economy is overdeveloped to meet the demands of the United States.

(Table 62: "Distribution of Non-financial, Industrial Tax Income" & Table 63: "Distribution of Taxable Income from Manufacturing" --SEE accompanying pictorial file 1977-Clement-Chapter6b.jpg -- Web Ed.)

Based on the proposition that social relations follow from the economic and political organization of society, it is evident that there must be a relationship between foreign ownership in Canada and the class structure of *both* Canada and the United States. And further, these class relations will be affected by the nature of Canada's economic and political position in the world capitalist order. It is therefore useful to look beyond Canada to the United States to gain some perspective on internal Canadian developments. Moreover, this larger perspective allows us to make an analysis of class alliances and conflicts, both nationally and continentally. To do so is of necessity to understand a political relationship; nowhere is the politics of economics more apparent than in foreign investment, since the amount, type,

location, and encouragement of foreign investment permitted in a nation is a political act. The class dynamics of foreign investment can also provide important insights into the relationships between classes, class fractions, and the state and its branches. While an analysis of the class dynamics of Canadian society in a continental context is beyond the scope of this study, even a limited exploration will illustrate some of the political dimensions of the power relations created by the continental economy.

III. The Canadian State in the Continental Economy

It would be absurd to suggest that the political boundary has not made a difference -- a great difference -- in the nature of the continental economic system. It is a system composed of two distinct nation states, one with a much larger population and a much more significant impact on the other. Nevertheless, there are two national political systems. As has already been demonstrated (pp. 124-131), the fact of a political boundary affects the economic system through tariffs (which encourage particular national bases for economic activities), through state rents on resources, and through taxation policies.

The political boundary between Canada and the United States has not, however, been an impediment to the penetration of the sphere of production in Canada by U.S. foreign investment (although circulation, the turf of Canadian capitalists, has been protected). The fact of such extensive U.S. investment reflects political decisions to allow and encourage such a pattern of development. The system has emerged not in spite of politicians but because they have permitted it. Conversely, since they have allowed these events to occur, the national independence has been decreased and much of the control over Canada's economy has been allowed to shift outside the country to the board rooms of U.S. corporations. But even within a country the state does not control the decisions of corporations, whether national or foreign, although it can certainly influence them.

What does national sovereignty mean? It is the right, reinforced by might, to control and regulate developments within a territory. But at what point is this right abdicated if it is not employed? What level of external control is necessary before the original right becomes *de jure* but not *de facto?* Certainly in the public domain the *de facto* rights of sovereignty are intact. But in liberal democracies, there is a very large area of private control beyond the public domain, and it is in this area that sovereignty has been eroded. It is only because of the public/private split of liberal democracies that foreign dominance can prevail in one domain but only to a lesser extent in the other.

How far can foreign dominance be allowed to go? Is the public domain not influenced by what happens in the private sphere? Most certainly it is, and when levels of foreign ownership become high the result is erosion of the autonomy of the state itself. It is at this point that the various systems of power -- state, military, and economic -- become contingent upon one another. The political and military decisions of one nation begin to have direct effects on the other because their economies are so tightly intertwined.

For example, as early as 1902, Prime Minister Laurier was moved to say to Lord Dundonald, "You must not take the [Canadian] militia seriously, for though it is useful for suppressing internal disturbances, it will not be required for the defense of the country, as the Monroe Doctrine [of the United States] protects us against enemy aggression."[2] **Thus in the world political system Canada was perceived as being under the wing of U.S. military power, except for internal uprisings, and that view continues some seventy years later. John Warnock's contemporary review of Canada's military policy concludes that "there is no doubt that the Cold War has intensified the problem of creating a Canadian nation and organizing a rational development of the economy."[3]**

The political constraints of foreign ownership greatly affect internal policies. In his review of the politics of northern development between 1968 and 1975, Edgar Dosman points out that "in most well-established countries, the development of a peripheral region would be largely a domestic issue. **In Canada, however, the development of the North was inextricably linked to the issue of the Canadian relationship with a foreign power, the United States." The reason was that "northern development after 1968 affected Canadian trade relations with the United States, particularly oil and gas exports."[4] Under such pressures, internal**

development policies are made in light of continuing cordial political and military relations with the United States.

The capitalists who are actually formulating and benefiting from the politics of development cannot be expected to be guided by the best interests of the nation because they operate for private, not public, interest. As John Porter has written, "Corporations.. .are governed by human beings who behave in accordance with a set of institutional norms -- those of corporate capitalism. To argue that national sentiments and the 'national interest' would supplant the historical and inexorable norms of capitalist enterprise is to reveal an ignorance of the capitalist economy."[5]

On the other hand, state power (whether political, bureaucratic, or judicial) is a very real power in liberal democracies. ***Ultimately the state does have the power to make decisions about the very existence of private power***. ***Private property is an institution granted by the state*** *(Note that the non-Marxist concepts of the author elevates the State to a supra-class status! --Web Ed.)* It is thus territorially bounded and sanctioned. In corporate capitalism, the right of private property is embodied in incorporation laws, which sanction the operation of various corporations. Each charter issued by the state (federal or provincial) legitimizes the operation of foreign branches or Canadian companies. Therefore, each and every incorporated company operates in Canada under the wish of the state and only by its consent *(In reality, the State --and its Parliament, or its Congress-- exists only as the political expression of the dominant existing economic class -- Web Ed.)* Canada is not a puppet state because it is a liberal democracy, a society which maintains a distinction between public and private power. A socialist state, where this dichotomy does not exist, could not have the extent of foreign control that Canada has without in fact being a puppet. But even in liberal democracies, the public/private distinction is frequently transgressed, and the extent to which this occurs in Canada reduces the sovereignty of the Canadian state *(while the author's thesis throughout has been, NOT the public/private distinction, but rather the private indigenous-ownership/foreign-ownership distinction which he repeatedly proves reduces the political sovereignty of the Canadian capitalist state --Web Ed.)*

The state's role in foreign investment in Canada is a complex one. In areas where Canadian capitalists have been strong, particularly in banking, life insurance, trust companies, transportation, utilities, and the mass media, the state has provided strong protection. In these areas, legislation prohibits foreign capitalists from owning sufficient stock to control or take over companies. But legislation to protect other areas such as retail trade, manufacturing, and resources, although recommended by many government inquiries, has only recently been enacted. Moreover, the Foreign Investment Review Act simply reviews or examines proposed takeovers of Canadian companies in these sectors by foreign capitalists, and there are no across-the-board prohibitions or any effect on the many companies that already exist. The agency's track record since its inception is to approve 80 per cent of these takeovers; it is certainly not a major barrier to foreign capital *(which is due to the acquiescence of our indigenous capitalists -- in short, our "wishes" as expressed through our bourgeois State -- Web Ed.)*

If the state is to carry out its various functions in society, it must gain revenues from the economic sphere. In a capitalist society, this means ensuring that the state creates the conditions necessary for the orderly extraction of economic surplus to go into private hands. The Canadian state, at both the central and the sub-central levels, finds itself in a paradoxical situation regarding foreign investment. On the one hand, the Canadian state elite, aware of the state's capacity to extract a part of the economic surplus bound up with foreign capital and foreign markets, has acted to facilitate foreign investment in productive activities and assist in searching out foreign markets. **On the other hand, there has been growing opposition to foreign control and fear that sovereignty is being eroded. An enormous part of both the federal (45 per cent) and the provincial (41 per cent) corporate tax revenue comes from foreign-controlled corporations**. To continue to increase its revenues to meet the growing pressure on its purse, the state is forced to create a favourable investment climate for foreign capital. The common ground between the state and capitalists in a liberal democracy is that both are interested in growth and stability and both see corporate capitalism as *the* way to attain this goal. But inherent in corporate capitalism is division between public and private power, inequality within societies (where some command great economic power and others are

excluded), and, as has been seen, inequality between nations, where some gain at the expense of others.

The basic concern over foreign investment is that power is exercised in the board rooms of multinationals, out of the reach of Canadians. Decisions on trade, employment, research and development, promotion of management, and investment are all beyond the control of Canadians. But is this really a consequence of foreign investment or of private investment? (Of both, of course, except that while Canadians in theory have a vote and [second-hand parliamentary] voice over domestic capitalism, foreign capitalism is EXEMPT from any and all possible popular control, even if subject increasingly to the strictures of 'social license' in petroleum exploitation by post-2010. Thus, while foreign investment has been ceded NEB regulatory "right" to exercise foreign sovereignty over Canadians' economy, it's legitimacy is being contested by those public actions demanding “social license," i.e., refused sanction by Canadian citizenry, an exercise of powerful if unconscious nationalism --Web Ed.)

How much more control do the vast majority of Canadians have over the Royal Bank, Sun Life, Stelco, Eaton's, or MacMillan Bloedel than they have over General Motors of Canada, Imperial Oil, Kresge's, Crown Zellerbach, or Canadian General Electric? Is it justifiable to call for decreasing foreign investment in the name of Canada's people? To some extent, yes, the claim is justifiable because Canadian-based companies are *potentially* more susceptible to state regulation. The Canadian state, however, has been very reluctant to tamper with the rights of corporate property, whether foreign- or Canadian-controlled.

The fundamental structure of corporations, based as they are on the claims of capital, invariably leads to a system of extractive power by which those in "command" positions remove degrees of freedom from persons below and increase their own freedom. Private property, the most basic institution in both Canada and the United States, remains the principle for organizing production and circulation. Besides being the foundation of the corporate form of organization and therefore of multinationals, private property is also transmitted between generations in the form of inheritance and remains important as a means of perpetuating privilege in both Canada and the United States. In terms of recruiting highly skilled people without ***highly*** *[author's emphasis]* privileged backgrounds, however, the U.S. corporate system has proven more open than the Canadian (though the two patterns are related). In a broader sense, private property is the central institution of both societies, as it is of all liberal democracies, for it is private property as an institution that legitimatizes and gives shape to the control structure of corporations. The power exercised by the economic elite is power made possible by private property concentrated into giant corporations. As long as the dominant mode of ownership continues to be private, the power of the economic elite will continue to dominate at the expense of the citizenry *(and by the export of foreign capital being "parasitism raised to the second power," as Lenin wrote a century ago**-- Web Ed.)*

NOTES

1. *Financial Post* 13 Dec. 1975: C5
2. Quoted in J.B. Brebner, North Atlantic Triangle, pp. 27071
3. J.W. Warnock, *Partner to Behemoth*, p. 17
4. Edgar Dosman, *The National Interest*, pp. xiv,xv
5. J. Porter, *The Vertical Mosaic*, p. 269

** (See end of Chapter 3 [1975] in this series for the full quote from Lenin - *Excerpt from:* ″Imperialism and the split in Socialism" in *Marx-Engels-Marxism,* FLPH, 1953, p.391*:* ″Thirdly, capital export is parasitism raised to the second power."

TABLE 62

Distribution of Non-financial, Industrial Tax Income by Region and Control of Company, 1972 *(percentages)*

Control of Companies	Atlantic	Quebec	Ontario	Prairies	British Columbia	Total
United States	3.2	18.1	53.5	17.6	7.3	100
Canada	5.2	26.0	41.8	13.4	13.0	100
All	4.5	22.5	45.7	15.9	11.0	100
Population	9.5	28.0	35.7	16.4	10.1	100

(SOURCE: Calculated from CALURA, *Report for 1972*, and *Canada Year Book, 1973.*)

TABLE 63

Distribution of Taxable Income from Manufacturing, by Region and Control of Company, 1972 *(percentages)*

Control of Companies	Atlantic	Quebec	Ontario	Prairies	British Columbia	Total
United States	2.7	18.9	62.2	9.6	6.7	100
Canada	3.6	28.8	43.2	9.8	14.4	100
All	3.1	23.3	53.7	10.2	9.6	100
Population	9.5	28.0	35.7	16.4	10.1	100

(SOURCE: See Table 62.)

Divided We Stand
Edited by Gary Geddes (1977)

The North American Triangle

Mel Watkins

(All emphasis by the Web Ed.)

It should by now be a commonplace that Canada faces both an internal threat and an external threat to its existence. While English Canadians continue to underestimate the extent of the latter, after November 15 *(the Parti Québécois's first electoral victory led by René Lévesque on a program of Quebec's sovereignty-association* -- Web Ed.)* few can any longer shut their eyes to the former. But we seem to find it impossible to hold both in our minds at the same time, much less to admit of any interrelationship.

*(*greeted by a stand-up roar of approval at a Canadien's hockey game at the Montreal Forum to the consternation of its high-paid professional players -- Web Ed.)*

The internal threat, in its most dramatic form—the spectre of the separation of Quebec—is now at the centre stage of our politics. But the discussion is characterized by a deafening silence on the fact of our dependence on the United States, a matter which is equally true whether we are one nation or two.[1] This must be seen as a part of a general phenomenon noted by Daniel Drache that whenever this country faces a crisis that is not self-evidently related to our dependency, the national question drops out of sight.[2] (The other striking case in point is the economic crisis of inflation, unemployment, controls, and labour's response thereto. The CLC calls for first priority to job creation, but fails to mention moving the economy away from its present truncated status to a more independent variety capable of supporting more employment.)

1. This is not a new phenomenon; for a brilliant exception see Kari Levitt, “Toward Decolonization in Canada and Quebec", *The Canadian Forum,* March 1972.

2. Comments by Drache to the Seminar on Perspectives for Development—Latin America/Canada, Toronto, October 1976.

True to form, the U.S. connection hardly figures in the thousands of words that followed the dramatic PQ victory. We were told what was happening in the New York capital market to Canadian and particularly Quebec securities. We were warned by the pundits, Canadian and American, that all other issues, including tensions in the Canadian-American relationship, would now be put on the back burner by the Canadian government. ***We saw Mr. Turner make encouraging sounds about accommodating Quebec, but simultaneously call for the dismantling of the Foreign Investment Review Agency*** **the better to create jobs and lessen economic discontent. In general, the prospect is for the erosion of the small gains made around the national question in the past decade.**

None of this gets to the basic point of Canada's, and Quebec's, colonial status vis-a-vis the United States. It is of the essence of colonialism that it permeates all aspects of life. To discuss English Canada-Quebec relations without explicit attention to the continental connection is to shut one eye and necessarily to settle for very partial insights. And deficient analysis leads to deficient political response.

Historically, the Canadian experience cannot be understood except in the context of the North Atlantic Triangle. Our present crisis must be placed in a different but equally

fundamental context, that of the North American Triangle. Since 1945, there has been a quantum leap in American economic domination of Canada. Canada is clearly America's most important dependency, while within Canada, Quebec is subject to American domination directly and indirectly through English Canada.

Belatedly and modestly, there has been a Canadian nationalist response to this penetration. It is, of course, severely constrained by the anti-nationalist position of the Canadian corporate elite, but it is also constrained in some part by the balkanization of the federal structure that is inherent in Americanization. The latter phenomenon is evident in all of the provinces; Quebec is not immune to the tendency to see the United States as a counterweight to the federal authority.

The result of all this has been that independentism vis-a-vis the U.S. exists in English Canada but is weak, and hence tends to drop away in the face of other problems. But the same forces have had, as we know, very different consequences in Quebec. Independentism, as separatism directed against English Canada, has flourished. **On the one hand, for cultural and linguistic reasons with deep historic roots, Quebec nationalism necessarily sees English Canada as the "enemy". On the other hand, English-Canadian domination of the Quebec economy is both real in its own right and acts as a medium for American domination; hence American domination per se tends to be masked.**

Quebec properly determines what is on its own political agenda, but in the process it also determines what is on the English-Canadian agenda. English Canada gets locked into a one-dimensional perception of Quebec versus English Canada, or Lévesque versus Trudeau. The cry goes up in English Canada for national unity, *not* for national independence.

To put the matter differently, there is (as has been observed by the American political scientist Robert Gilpin[3]) an important sense in which the debate in Quebec between those Québécois who favour federalism and those who favour separatism is between two different approaches to American investment. **In effect, the federalists see the American relationship as being more beneficial for Quebec when Quebec is part of a broader political structure, while the separatists see greater benefits from working out a direct relationship with the U.S. not mediated through Ottawa or English Canada.[4]**

There is unquestionably a logic to the separatist position. Who needs Ottawa and Toronto? And there is a potent hidden dimension. Ontario now has a disproportionate share of the American branch plants. An independent Quebec might get its fair share of the branch plants and the jobs that flow therefrom in the short-term. Ontario would be disadvantaged, and the issue is once again deflected into internal conflict.

This is to suggest that an independent Quebec might be even more of a neocolony of the U.S. than is Canada itself, while driving English Canada into trying to protect its monopoly on the American relationship.

3. Robert Gilpin, "American Direct Investment and Canada's Two Nationalisms" in Richard A. Preston, ed., *The influence of the United States on Canada* (1972).

4. three years ago, Jacques Parizeau rejected the suggestion that foreign capital would flee an independent Quebec in the following revealing way: "It is time people realized that the biggest enemy of Coca-Cola is not the Parti Québécois. It is Pepsi-Cola. The biggest adversary of General Electric is not the Parti Québécois. It is Westinghouse. The principal adversary of Sun Life is not the Parti Québécois. It is the Prudential." *The Toronto Star,* October 10, 1973.

Within Quebec there are those who understand that the U.S. is the real enemy, but of what use is English Canada to them as a counter-weight against the United States? We must be honest about the past, while insisting on the *possibility* of a different future.

For there do exist within English Canada those who are nationalists, who want greater independence from the U.S. It must be admitted, however, that within that tendency there are some who show little sympathy for the aspirations of the Québécois. But the others, and perhaps the predominant group, recognize the *right* of Quebec to self-determination but fervently desire a new confederal arrangement between English Canada and Quebec which would permit of a common political strategy to ensure the survival of both nations independent of the United States.

The existence of such a grouping was evident at the time of the October 1970 crisis in the editorial pages of *The Canadian Forum* and in the (unrelated) activities of the Waffle. There was an English-Canadian nationalist response that transcended partisan politics and the ideological debate of capitalism versus socialism. That phenomenon attests to the fact that there is an interest within English Canada able to empathize with Quebec's independentist aspirations but also insisting on the right of English Canada to define, or more accurately redefine, its own agenda.

All of the federal parties have methodically suppressed nationalist sentiment within their ranks—from the removal of Diefenbaker by the Conservatives to the humiliation of Gordon by the Liberals to the expulsion of the Waffle by the NDP. Just as clearly, all of the parties have adopted intransigent positions towards Quebec. The legacy of Mr. Trudeau is ten lost years.

English-Canadian nationalists have no alternative but to regroup around these two interrelated threats to Canada's survival. While in no way underestimating the difficulties, we must take as an article of faith the possibility of working out wholly new confederal arrangements. One cannot do more than sketch out what their nature might be. On the one hand, there must be a dramatic degree of devolution of authority to Quebec appropriate to the growth of Quebec nationhood and, though to a much lesser degree that constitutes a difference in kind, to the other regions in recognition of the valid grievances of the west and the Atlantic Provinces against Ontario. We must transcend what Stanley Ryerson has called the two "evasions": "the simultaneous acceptance of cultural duality and refusal of political duality" and the "denial in practice of the bi-national fact in the name of provincialization".[5] On the other hand, there must be held for a central authority, the instruments needed to deal with the U.S.

(At the same time, it should be borne in mind that the aboriginal people, particularly in the north, are also demanding a new deal within Confederation. There is evidence of considerable support for these demands among southern Canadians. The issue of Quebec versus English-speaking Canada must not be allowed to push this into the background. Rather, new confederal arrangements must permit an accommodation that would redress the great historic damage done "to the aboriginal people by both English Canadians and Québécois.)[6]

It is to be hoped that we can begin at least to see the possibilities. That should be sufficient for English Canadians to sense what might be done—if only we can transcend our now impoverished politics growing out of our colonized situation. It is idle to pretend that we know

what Quebec would do in the face of new possibilities, but in the final analysis, the issue is not that but what we as English Canadians owe ourselves. Should Quebec separate, which is certainly a distinct possibility, we will be that much better prepared to stand as a nation in our own right.

There are moments in history when great change is possible. To challenge the state-structure as Quebec is doing, albeit in the name of nationalism, is to create such a moment. English Canada could use that moment to permit the federal state to deny, even openly repress, the legitimate aspirations of the Québécois—a Canadian version of the "Chilean solution". Or it could use that moment to attempt a dramatic restructuring of the state, not only with respect to Quebec but also with respect to the provinces proper, and, of critical importance, with respect to the long-neglected burden of defense against American domination. That choice lies with English Canadians.

NOTES

(…)

[5] Ryerson, "Quebec: Concepts of Class and Nation" in Gary Teeple, ed., *Capitalism and the National Question in Canada* (1972).

6. Peter Russell argues that the Dene nation could, and ought to, be accommodated within Confederation even under the terms and spirit of the present BNA Act: see *The Canadian Forum,* November 1976.

7. Some may say that this essay begs the fundamental question of whether English Canada exists. Undeniably, Quebec is a nation in a sense in which English Canada is not. But I agree with Stanley Ryerson: "There *is* some humus of an historic identity from which some things have sprouted, and a certain residual tough-rootedness remains. Why else would the American take-over encounter resistance, *however* sporadic *and thinly scattered?" op. cit.* Indeed, this is a minimal position; for an impressive presentation of a. stronger position, see Herschel Hardin, A *Nation Unaware: The Canadian Economic Culture* (1974).

Postscript

The two themes of this commentary — which was written in the immediate aftermath of November 15 — are the reality of the United States and the need for an English-Canadian nationalist response. The attempts by both Lévesque and Trudeau to curry American favour in their visits to the U.S. are striking manifestations of the former. **Predictably, media discussion has been in terms of "Who won?", thereby masking the bitter fact that the behaviour of both demeaned us. Lévesque stressed the American interest in Quebec's James Bay project, though the latter is an incredible sell-out to the United States. Trudeau matched him by promising Carter that Canada would make a decision on a northern pipeline to move Alaskan gas across Canada — English Canada's James Bay project — in conformity with the American timetable, in return for which Carter spoke out in favour of Trudeau rather than Lévesque. Who would have thought that a contemporary version of the Panama Canal was an instrument for creating national unity!**

The nationalist response from within English Canada has been twofold. A number of the most prominent nationalists — Walter Gordon, Mel Hurtig, Peter Newman, Jack McClelland* — have not only proven unable to empathize with Québécois nationalism, but have demonstrated a distinct lack of confidence in English Canada, in its viability as a nation, and the possibility of its surviving Quebec's independence. ***Faced with the reality of both the internal threat and the external threat, they have in effect denied any interrelationship — either in explaining the present situation or in pointing to a possible solution — and have thereby ended up, whatever their intentions, in the Trudeau "national unity" continentalist camp.***

*(*all of whom could be classified as outcast and failed "bourgeois nationalists" – Ed.)*

On the other hand, some of the nationalists, including this writer (with others who are not necessarily nationalists) have created the Committee for a New Constitution, arguing simultaneously that Quebec has the right to self-determination and that English Canada exists as a nation, thereby holding out the possibility that the two nations could find a common task in their survival on this continent independent of the United States. But it would, of course, be idle to pretend that this response is sufficient to the spectres that haunt us.

(end of essay)

Excerpted from:

The Liberal Idea of Canada (1977)

James & Robert Laxer

SECTION I
THE BRANCH-PLANT SYSTEM — THE END OF BALANCE

CHAPTER I

The economic face of Canadian liberalism

(All emphasis by the Web Ed.)

When Pierre Trudeau acquired the mantle of leadership in the spring of 1968, he inherited the Canadian Liberal economic and political system. His predecessors had bequeathed him a country with the social structure of an advanced industrial nation underpinned by a branch-plant economy. However, at the time this crucial flaw was largely hidden from view.

(...)

"Canada is one of the richest, most stable and most fortunate countries in the world," he *(P.E. Trudeau)* asserted. "The Liberal policies are the policies we must follow to sustain and prolong economic expansion without boom or bust."(1) Illusion and reality are the stuff of politics, the mix between them constantly shifting. It seemed then that Canada had crossed the frontier on the road to maturity. Two decades of postwar liberal economic policy had seemingly terminated the long period of Canadian economic apprenticeship.

According to this view, Canada was a young, small nation in North America following the United States down the path to economic maturity. It had been held back by the problems of a far-flung territory, the rigours of a cold climate, and the disadvantage of a relatively small supply of arable land. With time however, Canada was overcoming these difficulties. Economic takeoff, the qualitative leap to the path of a fully developed industrial economy, would come when the' nation's domestic market, productive capacity, and capital accumulation had reached maturity. Canada would then pay off its long-accumulated debt of foreign investment; it would become a manufacturing nation no longer saddled with a trading system in which Canadians mainly exchanged primary products for manufactured goods.

Achieving economic takeoff has been the dream of Canadian liberals for decades. At times the dream has seemed close to reality and some economic theorists have even declared Canada's economy airborne. In a celebrated treatise on economic development, Yale Professor and U.S. government adviser Walt Rostow once declared that Canada had "taken off economically between 1896 and 1914 and by 1950 had achieved full economic maturity. Rostow saw the Canadian case as a virtual repetition of the American success story. Like the U.S., Canada was a society historically free from the restraints of traditionalism, a society that had borrowed large quantities of foreign capital and had successfully moved through the stage of dependence on resource exports to industrial maturity. It was a happy ending to a familiar story in Rostow's eyes, an example to be emulated by other less fortunate nations.(2)

Canada's contemporary economic strategy is the carefully considered product of such liberal economic theory. It is both a product of the liberal mind and a rationalization of existing economic reality. In its fully modern form, the strategy was established at the end of the Second World War by the Liberal government of Mackenzie King.

Between 1939 and 1945 Canada's economy was operating with a high degree of government planning. Ottawa mobilized Canadian capital and coordinated industrial development both under its own auspices and in partnership with private business. Economic planning, however, was seen as a wartime expedient by the Prime Minister and by his chief economic lieutenant, C. D. Howe, the tough-minded former New Englander who directed Canada's productive apparatus during the war. After 1945, as Canada returned to a peacetime economy, it was natural enough for Howe to chart Canada's future economic course in liberal terms. In this period of conscious decision, he established the policies that have been central to Canadian economic strategy ever since.

(...)

If the theory was unremarkable, made up as it was of truisms of liberal economics, the conditions for its application at the end of the war were anything but ordinary. At the end of the Second World War, Canada faced an international economic environment completely dominated by the United States. American economic output in 1945 was half of the world's total output. Canada's other traditional pole of external association, the United Kingdom, had been an economic victim of the war. The long period of Canada's balancing act between two external metropolitan centres was at an end.

By applying liberal theory to Canada's position at the end of the war, the government was deciding to tie Canada's material fortunes to those of the United States. Three basic policies flowed naturally from the theory: freer trade between Canada and the United States; the encouragement of American investment in Canadian resource industries so that Canada could meet much of the U.S. demand for primary products; and promotion of many additional productive facilities in Canada by American maufacturing firms.

A 1973 U.S. Senate study of American multinationals provided a retrospective analysis of the motivation for the massive inflow of American capital into Canada following the Second World War. According to the study American investors sought two things above all others: access to resources and to consumer markets.(3) Canadian economic strategy was based on the friendly accommodation of these appetites.

Canadian Liberal policy-makers believed that in opening the country to the vigorous and efficient engine of American enterprise they were forcing the Canadian economy to develop in areas where it could excel while allowing inherently weak sectors of the economy to go under if they could not face the rigours of competition. For them, Canada's economic policy was not one of continued dependence, but one of a true interdependence in which trading partners developed a complementary relationship based on their unique areas of comparative advantage.

The dream never seemed closer to reality than in 1968, when Trudeau came to power. Oddly enough, nearly a decade after Trudeau's accession and a quarter-century past the gateway to economic maturity as certified by Walt Rostow, Canada's economy has eluded the logic of liberal economic theory.

Instead of leveling off once "economic maturity" was reached, foreign direct investment in Canada grew astronomically, reaching $75 billion in the mid-1970s.

[4] Rather than moving beyond dependence on resource exports, Canada's economy became more critically linked to them than ever. And far from exhibiting stable manufacturing development associated with economic maturity, Canadian industry was weak in the mid-1970s — incapable of producing even half the machinery used in Canada, linked to the United States for new technology, and so unable to compete in its own domestic market that the nation suffered a $10 billion manufacturing trade deficit in 1975.(5)

Contrary to the logic of liberal economic theory, what had really taken off was not Canadian development, but foreign investment and the evolution of a branch-plant economy. By the late 1970s, business economists were projecting a period of very difficult economic readjustment for Canada. Canadian per-capita income had fallen in world terms from second place to eighth.

(6) Canadians had less confidence in the functioning of their country's economy than at any time since the Great Depression of the 1930s.

Warnings came from economists and business analysts of many different shades of opinion. Representative of the sentiments were:

- a report of the Canadian-American Committee in the summer of 1976, warning that Canada faced a serious balance-of-payments problem for some years to come.(7)
- an economic forecast by the Conference Board of Canada predicting very slow capital investment in Canada and increasing unemployment.(8)
- an analysis of Canada's economic performance in 1976 by Toronto economist Arthur Donner predicting that "economic policies currently in place and expected to continue in 1977 will ultimately be judged as disastrous for the economy."(9)
- a blunt warning in January 1977 from Carl E. Beigie, executive director of the C. D. Howe Research Institute: "I cannot seen any drop in the level of Canada's current account deficit for some years." The consequence of this, in his view, would be tougher conditions for Canadians seeking loans abroad in the future which might amount to economic dictation of Canadian economic policies from outside the country.(10)
- **a forecast by an economic analyst cited in the** *Financial Post*: **"If Canada remains passive about the situation, it can probably get away with borrowing other people's money for productive and nonproductive spending for some time. But it will raise serious questions about the survival of many manufacturing industries, and it could drive Canada back to the kind of capital-intensive, resource-based economy it had in the 1950s."(11)**
- a *Financial Post* warning that simply to carry Canada's growing foreign debt would require Canadian trade surpluses to increase by $500 million a year.(12)

What went wrong with the liberal economic plan for Canada? Why did the branch-plant economy apparently function so well until the late 1960s and why was it in such trouble a decade later?

The answer to this question has two important aspects: first, the structure of the branch-plant economy contained within it a long-term tendency toward the problems that are so evident in the late 1970s; second, beginning in the late 1960s, the American economy began to experience chronic difficulties that have had a significant impact on Canada. When we have examined the independent operation of these factors, as well as their interaction in the 1970s, we can probe the impact of economic malaise on the Canadian Liberal system as a whole.

Through the structure of the branch-plant economy, Canada achieved economic growth without development while the American economy prospered. The fact that quantitative growth failed to lead to qualitative development was built into the very structure of the postwar economic system. The problem was that while liberal theory assumed a competitive, free-enterprise economy, *(while)* **the Canadian reality was much different. Large foreign-owned firms dominated both Canadian resource extraction and manufacturing. While the structure worked well for several decades, it was dependent on factors that were unlikely to persist in the longer run.**

Under the branch-plant system, Canada's productive economy was based on a trading and investment pattern that made Canada a perennial debtor nation, a nation that could never overcome its tendency to have a balance-of-payments or current-account deficit. (The current account includes the merchandise account, the record of the country's balance of trade in goods with other countries, and monetary flows such as the outflow of dividends and interest payments to service foreign-investment located in Canada, and the expenditures of Canadian tourists abroad.)

The pattern of trade and investment that caused the perennial current-account deficit is characterized by American corporate domination of both Canada's resource and manufacturing industries. In the resource sector, they produce primary products far in excess of Canadian domestic needs, for export mainly to the United States. ***(Note 13)***. In the manufacturing sector, U.S. firms import technology, machinery, and parts from their American parents so that their activities result in a large deficit, in Canadian manufacturing trade. The result is an overall merchandise trade pattern in which resources are exported to pay for the importation of manufactured goods. For most of the postwar period this trade pattern has resulted in a merchandise trade surplus for Canada.

The merchandise balance, however, is only one element in the current account. When the two other important elements are included, the payment of interest and dividends to foreigners for their investments in Canada and the expenditure of Canadian tourists abroad, Canada has had an overall current-account deficit in almost every year since the Second World War. (14) **To cover this deficit, Canadians have turned to still further imports of foreign capital, a strategy of acquiring new debts and obligations to cover the old ones. In effect, Canada has been on an economic treadmill which constantly renews the condition of dependency making impossible the overcoming of foreign indebtedness.**

By the mid-1970s, Canada's economy was in a state of chronic malaise. Faced with inflation and recession, common to all industrial countries, Canada also confronted nagging difficulties with

productivity and trade that were symptomatic of underlying structural problems with the nation's economy.

The most visible sign of the breakdown of the branch-plant economic strategy was the sharp deterioration in Canada's external trade balance during the 1970s. In 1975 Canadian imports of manufactured goods exceeded the value of manufactured exports by $10 billion.*(15)* This imbalance, amounting to $450 for every Canadian, was unique among industrial nations. The deficit in Canada's manufacturing trade quadrupled between 1970 and 1975. [(16)] The change in the pattern of Canada's exports during this same half-decade was as important as the change in the export balance. In 1969, 73.2 per cent of Canadian exports were made up of end products (fully manufactured goods) and semi-fabricated products (raw materials that had been partially processed). By 1975, end products and semi-fabricated products had declined to 59.7 per cent of Canadian exports. Completely unprocessed raw materials and food and tobacco products had increased dramatically from 26.5 per cent of Canadian exports in 1969 to 39.6 per cent in 1975(17)

Also crucial was the highly concentrated character of Canada's end-product exports. In 1973, 64.3 per cent of Canada's exports in fully manufactured products occurred in the auto assembly and auto parts industries. Ignoring Canada's trade in automotive products, which falls largely under the special case of the Canada—U.S. auto pact, the proportion of Canadian trade made up of fully manufactured goods in 1973 was only fourteen per cent.(18) This was not at all the trade characteristic of an advanced industrial nation. (In 1971, seventy per cent of U.S. exports were fully manufactured goods.)(19) ***Furthermore, the auto industry, far from being a glowing area of health in the Canadian trade situation, was the area of Canada's most severe deficit. In 1975, Canada's deficit in its automotive trade with the United States was $1.9 billion; in 1976 it was $1 billion.(20)***

But, under the economic system of the postwar period, Canada's steep deficit in its trade in manufactured goods has always been offset through very high exports of resources. In 1970 Canada's merchandise-trade balance overall stood at a surplus of $3 billion. In that year the country experienced a $2.1 billion outflow to service foreign investments in the country. This left an overall surplus on current account (including both merchandise trade and capital service flows) of $953 million.(21)

However, by 1975, the rise in imports of manufactured goods was so large that it was not fully offset by resource exports. Canada's merchandise account showed a deficit of $795 million. In 1975 the servicing of foreign capital led to a further outflow of $4.7 billion, resulting in a total current-account deficit of $5.5 billion.(22)

Quite naturally, the sharply increased current-account deficit led both provincial governments and the federal government to turn to the U.S. and Europe for more capital to service the existing debt. This borrowing was a symptom of the dilemma foreign investment has caused in Canada: foreign ownership of Canadian commodity-producing industries has led to the current deficit; and the deficit has made Canadian politicians anxious for new resource projects on which to base new exports to the U.S. to cut the level of that deficit. Publicly owned electric utilities, most notably Hydro

Quebec with its $15 billion James Bay project, have been borrowing vast sums in the U.S. and have been hoping to export power south of the border. In 1975 Canadian governments (mostly provincial) raised $3.4 billion in bond capital in the United States.(23) **In 1976 Canada's foreign borrowing reached crisis proportions. In that year corporations and governments in Canada borrowed $9.2 billion abroad, greatly exceeding borrowing by any other country, and amounting to about 16 per cent of all the money borrowed internationally.(24)**

The current-account deficit has had a direct effect on the life of individual Canadians as well as on the life of the nation. In order to attract more American and European capital to offset the gigantic deficit in Canada's current account, the government has kept interest rates relatively high. In the fall of 1976 interest rates on both short-term and long-term loans were 3.5 per cent higher in Canada than in the U.S. In 1975 $4,870 million more capital flowed into Canada from the United States than flowed the other way.(25)

While high interest rates kept the value of the dollar higher than it otherwise would have been in relation to the U.S. dollar, they represented a significant expense to Canadian consumers and businesses. For example, when Canadians paid 12.5 per cent interest on their mortgages compared with 9.5 per cent in the United States (on a $20,000 mortgage this meant additional interest payments of $50 per month or $600 per year), they were experiencing one of the consequences of Canada's current-account deficit.

High interest rates kept inflation in Canada higher than in the U.S. This was so because higher interest rates raised the cost of acquiring capital to do business in Canada. Long-term credit for investment in new equipment and in plant expansion, and short-term credit for day-to-day operations have cost more because of high interest rates. ***The result has been an increase in the cost of living in Canada and a decrease in Canada's capacity to improve productivity. The failure to increase productivity in industry has made the country less competitive internationally and has hurt exports, thereby costing Canadians jobs.***

When a nation has a current-account deficit, it has literally been "living beyond its means", consuming more than it has been producing. In the 1950s and 1960s, Canada almost continually consumed more than it produced, but managed to maintain the economy by mortgaging more and more of the country's future resource potential to pay for it.

In that era Canadian planners assumed that the current-account deficit would be covered by new inflows of American capital in the form of direct investment and in response to Canadian bond issues. American capital would continue to flow into Canada for two reasons: first, the American economy was generally expanding and, therefore, needed more and more of the commodities Canada could sell; second, Canada's supply of staple products needed by the U.S. was for all practical purposes limitless.

If the U.S. economy faltered or if Canada began to run short of exportable resources, the balance in the system would be upset. **In the 1970s the conditions necessary to the branch-plant economic strategy ceased to prevail.**

Crucial to the change in resource export performance was oil. In 1974, Canada had a surplus in its oil trade of $1 billion. In mid-1975 the country became a net importer, and the surplus for the year sank to less than $100 million. Because of Canada's exports of natural gas, the country retained an overall surplus in its trade in energy commodities of $1.2 billion in 1975. However, the federal government's 1976 energy report predicted that by 1985 Canada would experience a $4.5 billion annual deficit in its oil trade.(26) ***(The next chapter contains a detailed analysis of the two industries in which the negative trade turnaround has been most pronounced — oil and auto.)***

In the late 1970s, the basic structural problems in the Canadian economy were also greatly magnified by the results of a significant change in the international competitiveness of the United States. **During the prosperous years of the branch-plant economy Canada had an economic structure that created chronic difficulties for it in relation to the United States; but the American system as a whole was prospering, and Canada was a beneficiary of that prosperity despite its economy's structural problems. From the late 1960s on, however, American economic supremacy was effectively challenged internationally by Japan and Western Europe; the American response to its own economic problems transmitted shock waves to Canada in the 1970s that exacerbated the chronic difficulties of Canada's branch-plant economy**.

The altered position of the United States in the world economy is essential to an appreciation of Canada's economic outlook in the late 1970s.

At the end of the Second World War, the United States designed an international monetary system for the western world that was to its own advantage. The U.S. held more than half the world's gold supply and policy-makers believed the U.S. could look forward to a permanent surplus in its dealings with other nations. By the early 1950s, however, it became clear that, although the United States could usually count on a trade surplus with other countries, the overseas expenditures of the United States on defence and the outflow of American investment to other countries would result in a perennial deficit in America's current account with other nations. **(The American current-account deficit was a sign of the flexing of American military and corporate power outside its boundaries, and therefore very different in its origins from the current-account deficit in the dependent Canadian economy.)**

Until the early 1960s, the U.S. current-account deficit was not regarded as a matter of great consequence. The U.S. dollar remained tied to gold, redeemable at $35 per ounce. American economic output remained so vast in relation to that of other countries and to its own foreign trade that there was no threat to the stability of the system.

In the mid-1960s however, all this began to change. The economies of Western Europe and Japan had become much more productive and could now hold their own in competition with the United States in a variety of fields. Western European and Japanese industries began invading the American market and providing stiff competition for American industries located outside the United States as well. As a result American trade surpluses disappeared.

While in 1960 the U.S. had enjoyed a $5 billion surplus in its overall manufacturing trade, in 1972 this had become a $7 billion deficit. In the late 1960s, America's competitors achieved gigantic surpluses in their manufacturing trade: for example, West Germany, $16.4 billion; Japan, $19 billion.(27)
[27] *The position of the U.S. dollar as the reserve currency of the western world was threatened.*

The loss of American productive supremacy was closely connected to the Vietnam War because of its inflationary impact. Disappearing American trade surpluses and mounting expenditures abroad for defence caused a huge increase in the U.S. current-account deficit. The postwar international monetary system approached collapse.

Then came the unilateral American monetary revolution of 1971. In 1971, the Nixon administration reversed U.S. policy and decided that the perennial current-account deficit of the United States had to be accepted as a permanent and natural feature of the international monetary system. The Nixon administration determined to force the United States off the gold standard and to force other countries to revalue their currencies upward in relation to the American dollar.

The method the Nixon administration chose was that of inflation. The U.S. government resorted to the printing press, turning out dollars far in excess of advances in American economic output. American government-sponsored inflation was transmitted like a shock wave through the monetary system of the western world. By the end of 1971, $61 billion in U.S. currency was held by foreigners, up from $33 billion at the beginning of the Vietnam War.(28)

Foreign holdings of U.S. dollars had far surpassed the size of U.S. gold reserves. On August 15, 1971, President Nixon announced that the U.S. was going off the gold standard, so that the American dollars held by foreigners were no longer redeemable for gold. **What Nixon had done was to repudiate a vast debt, making American dollars redeemable only with other paper which was also not backed by gold. In effect, the United States had successfully taxed all the other nations in the western world to pay for America's military operations. Other western nations had no choice but to accept this new form of taxation. Had they objected and refused to allow their holdings of U.S. dollars to grow, the whole international monetary system would have collapsed.**

The decision of the United States to change its economic relations with its trading partners had greater implications for Canada, its largest trading partner, than for any other country. ***Although Canadians understandably have tended to discuss their own country's economic dependency on the United States, what they have failed to notice is the obverse of this: the importance of American investment in Canada***

and trade with Canada to the overall international position of the United States. During the 1950s and 1960s American corporations benefited substantially from their presence in Canada. When the American economic crisis came in the early 1970s, it was therefore certain that Canada would figure substantially in the solution.

American manufacturing companies regarded Canada both as an important consumer market and as a site for the location of marginal production facilities. Through the intra-firm trade established by such companies, Canadians imported machinery for industrial production, parts and components for assembly operations in Canada and, of course, American technology. These imports helped make American corporations more profitable at home.

Canada has been the single most important external market for the United States, absorbing one-quarter of all American exports.(29) And because companies make their greatest profits on the last fifteen or twenty per cent of their production (after their fixed costs are covered) the Canadian market has been very important to the overall profitability of U.S. manufacturing. Canadian branch plants were important to their U.S. parents because they guaranteed the parent companies access to the Canadian market not only for the goods actually manufactured in Canada but for the technology, machinery, and parts produced in the United States.

The branch-plant system meant that Canada would have a permanently high manufacturing trade deficit with the United States. During the 1950s and 1960s Canada's cumulative deficit in its manufacturing trade with the United States amounted to an astronomical $30 billion.(30) This U.S. surplus was so large and so unique that it served as a cornerstone of the postwar American world economic order. During these two decades, America's surplus in its manufacturing trade with the rest of the world, including the large surplus with Canada, formed the essential basis for American imports of resources from abroad. It provided capital for investment abroad by American firms and was crucial to the health of the U.S. dollar as the reserve currency of the non-communist world.

In 1960 the U.S. had a manufacturing trade surplus with all other countries amounting to $6,055 million, and of this $1,845 million, or nearly one-third, was with Canada. In 1965 the U.S. manufacturing trade surplus with all other countries was $6,412 million; $2,731 million of this with Canada — over 42 per cent of the total. Later in the 1960s, as the American economy experienced increasingly severe problems in its trade with other nations, the U.S. manufacturing surplus with Canada grew increasingly vital. In 1968, of the total U.S. manufacturing trade surplus with all countries of $2,910 million, $2,596 million or nearly 90 per cent was with Canada. In 1969 and 1970, the manufacturing surplus with Canada accounted for approximately two-thirds of the total.

In 1971, the year of crisis in the American economy, the United States had only a $60 million manufacturing trade surplus. In that year the U.S. manfacturing surplus with Canada totalled $2,386 million. Without Canada, the U.S. would therefore have had a deficit of $2,320 million in its manfacturing trade.(31)

In Canada the effect of America's altered international position began to be felt by the late 1960s. First American corporations, and later the American government, took steps which changed the nature of the American presence in Canada. In 1966 American corporations began shifting their investments in manufacturing from Canada to Western Europe. At the same time, their investments in Canadian resources were increased. The new international economic climate had made investments in manufacturing in Canada less attractive than other available alternatives.

A study of U.S. multinational corporations produced for the U.S. Senate in February 1973 detailed the behaviour of U.S. firms abroad. The study examined the trends in employment in manufacturing in U.S.-owned multinational corporations in seven countries: Canada, the United Kingdom, Belgium—Luxembourg, France, West Germany, Mexico, and Brazil. Between 1966 and 1970, U.S. multinationals increased their share of manufacturing employment in these seven countries by an average of twenty-five per cent. ***The only country in which there was a decrease in the proportion of manufacturing workers employed by U.S multinationals was Canada, and this decrease was not an indication of lessening U.S. control of the country's economy. It occurred at the same time as U.S. multinationals increased their share of sales in manufactured goods in the Canadian market.***

Evaluating the evidence, the Senate study concluded that the drop in relative employment by U.S. multinationals in manufacturing in Canada "reflects the multinationals' shift of the focus of their dynamic expansion away from Canada and toward other areas, chiefly Western Europe."(32)

In the opinion of the study, U.S. multinationals had a marked negative impact on Canadian manufacturing employment between 1966 and 1970, the reverse of the pattern in every other case.

The U.S. firms, as the U.S. Senate study showed, while increasing their dominance of the market, were cutting back their relative share of employment. This can best be explained by the growing tendency of U.S. firms to import parts and components manufactured by their U.S. operations into Canadian branch plants for final assembly and retailing.

That U.S. manufacturing firms displaced jobs abroad in the long run was acknowledged in the U.S. Senate study. The study concluded that a key role of U.S. multinational corporations has been to foster the sales of parts and components manufactured in the U.S. to branch plants abroad. The study estimated that this role far outweighed the importance of imports to the U.S. from the foreign operations of U.S. multinationals. The net employment gain to the U.S. from these operations of U.S. multinationals was placed at 500,000 jobs.(33)

Although the study did not break down this job figure in terms of the foreign countries negatively affected, Canada most certainly tops the list. This is so because Canada is the site of about thirty per cent of all direct U.S. investments abroad. It is further evident in light of the U.S. Senate study's conclusion that Canada was the only country in which relative employment in U.S. multinationals engaged in manufacturing was dropping

Since the mid-1960s, the actions of U.S. multinational corporations in Canada have further undermined the already weak manufacturing base of the country. The motive for U.S. manufacturing firms shifting new jobs to the U.S. has not been patriotic concern for the employment of American workers; rather, it has been a matter of production costs and profits. The U.S. Senate study on multinational corporations concluded that the major reason U.S. corporations set up branch plants abroad was not to avail themselves of cheaper labour, but to capture markets.(34) In the Canadian case, the national market for many manufactured goods has been divided among so many foreign firms that production costs have tended to be relatively high. **Once a position in the Canadian market has been secured, a U.S. firm has had a clear interest in importing parts and components from the U.S. parent firm where production runs for the U.S. market are longer and the cost-per-unit is cheaper.**

But while the individual U.S. firm has not been concerned with the overall well-being of the American economy, the U.S. state has been concerned with precisely this. The deteriorating trade position of the United States and the weakening of the U.S. dollar led to the Nixon measures of August 15, 1971. These measures have had a significant impact on Canada.

In addition to taking the United States off the gold standard and devaluing the American dollar, the Nixon administration enacted tax legislation designed to further encourage U.S. corporations to make future investments in new productive facilities in the United States rather than abroad. Two such measures were the seven per cent investment tax credit, involving tax cuts for U.S. businesses that increased capital investment, and the Domestic International Sales Corporation or DISC which allowed U.S. companies exporting goods to write off fifty per cent of the taxes on their foreign sales. ***DISC has been designed to encourage multinational corporations to shift their production from branch plants abroad back to the United States. Since 1971 an increasingly large percentage of intrafirm trade between the United States and Canada has been carried on through the DISC plan.***

In the late 1970s the interaction of the United States' responses to its own problems and the chronic structural difficulties of Canada's economy had led to a relatively bleak outlook for Canadians. For a people accustomed to rising material rewards, the new situation seemed to be in violation of everything their political leaders had promised.

The nation faced a period of severe economic adjustment. Its productive base was in serious trouble and the outlook for the balance of payments was anything but bright. ***During the long years of the branch-plant economy, the nation had developed an economic structure in which only one-third of the work force was employed in productive activities — in manufacturing, and in primary industries. The other two-thirds of the work force, the highest proportion for any industrial nation, was employed in service industries, both in the private and public sectors. The structure was top-heavy, vulnerable to the difficulties being encountered by the productive sector.***

In the late 1970s as Canadians began the difficult task of defining a new industrial strategy for Canada, they were still, in the main, operating within the framework of ideas that had allowed the structural

problems of the branch-plant economy to develop. The liberal framework, the assumption of a competitive, private-enterprise economy, continued to be the almost automatic point of departure for economic policy-making. **For thirty years Canadians had lived with the illusions of liberal economic theory and the realities of monopoly control of their economy from outside the country.**

NOTES

1. Canada, Office of the Prime Minister, press release, June 11, 1968.
2. W. W. Rostow, *The Stages of Economic Growth* (Cambridge: Cambridge University Press, 1960), pp. 40, 42, 43.
3. Committee on Finance, United States Senate, *Implications of Multinational Firms for World Trade and Investment and for U.S. Trade and Labor* (Washington, D. C: Government Printing Office, 1973), p. 20.
4. *Globe and Mail,* January 8, 1977.
5. Statistics Canada, Cat. no. 65-004.
6. *Globe and Mail,* January 22, 1977.
7. Canadian-American Committee, *A Time of Difficult Transitions: Canada-U.S. Relations in 1976* (Canadian-American Committee, 1976).
8. *Financial Post,* January 29, 1977.
9. Arthur W. Donner, *Canada's Economic Outlook on the First Anniversary of the AIB* (Toronto: Research Securities of Canada, Ltd., 1976).
10. *Financial Post,* January 29, 1977.
11. Ibid.
12. Ibid.
13. In 1960 Canada exported $2,374 million of crude and fabricated materials to the United States for a surplus with that country of $1,126 million. In 1965 the surplus was $1,653 million. By 1970 the surplus reached $2,779 million.
14. Information Canada, *Canada Year Book 1973* (Ottawa: Information Canada, 1973), p. 846.
15. Statistics Canada, Cat. no. 65-004.
16. Ibid.
17. Ibid.
18. Ibid.
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20. Statistics Canada, Cat. no. 65-004.
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28. Michael Hudson, *Super Imperialism* (New York: Holt, Rinehart, Winston, 1969), p. 229.
29. *Statistical Abstract.. . 1972*, p. 777.
30. Ibid., p. 776.
31. Ibid., pp. 777-9.
32. *Implications of Multinational Firms . . .* , p. 615.
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Excerpted from:
The Liberal Idea of Canada (1977)

James & Robert Laxer

CONCLUSION

(All emphasis by the Web Ed.)
According to an old saying, there are two miracles in the history of Canada: one of them is the survival of French Canada and the other is the survival of Canada as a whole. To appreciate the apposite nature of the saying, one need only imagine how unlikely it would have seemed to any rational observer at the end of the eighteenth century that the descendants of the handful of *(les) habitants* in the St. Lawrence Valley and of the straggling elements of the United Empire Loyalists would maintain their tenuous and difficult political separation from the heart of the continent for the next two centuries. That these two remnants, the cast-off colony of France in the dying days of the old regime and the pathetic residue of Britain's North American empire, should have survived next door to the most successful state in history is indeed a cause for wonder. Or perhaps, more prosaically, their survival was never sufficiently threatening to recommend their elimination to any outside power. *(A study of the class nature of the Act of Confederation would be useful -- See* YSF – Vol. 4 No. 3 (24) – May-June 1967 May-1-- Canada's Centennial: 100 Years of Injustice -- *Web Ed.) (...)*

(...) A century ago, John A. Macdonald devised the National Policy, a program of state intervention to develop a transcontinental Canadian economy. To do so he violated the most sacred tenet of English liberalism at its zenith, the belief in an unregulated economy and free trade. So powerful were the proponents of free-trade liberalism in Canada that advocates of the National Policy felt compelled to establish a centre for the propagation of alternative theories. Their creation was the department of Political Economy at the University of Toronto. While in the writings of Harold Innis their creation was crowned with success, for the most part the centre they established has served as a vehicle for liberal economic theory. Nationalist improvisation was countered with liberal orthodoxy, indicating that perhaps nothing is more difficult than to escape from a system of thought borrowed from those who dominate your existence.

In Ontario, at the turn of the century, a Conservative provincial government, prodded by industrialist Adam Beck, took over the private hydro companies and established a Crown corporation to produce and distribute electric power. It did so to enable Ontario manufacturers to overcome their weakness in competition with American industry. While the measure was highly successful and was a crucial contribution to the industrialization of Ontario, it was denounced as a wildly parochial violation of liberal economics by the federal government in Ottawa, by investors in Britain and the U.S., and by the civilized English-language press outside Ontario.

In the 1930s the Bank of Canada, Trans Canada Airlines, and the Canadian Broadcasting Corporation were established with the same motivation — to undertake through Crown action the provision of vital services that could not be provided through the existence of private domestic institutions. Without such action, all of it in violation of liberal notions of the market economy, Canada could not expect to have a coherent monetary policy, a national airline, or a national broadcasting system. Characteristically, all three initiatives came at first not from the heart of liberal orthodoxy, the party of Mackenzie King, but from the Conservative regime of R. B. Bennett in its last desperate days of creative improvisation.

In our own day, the creation of the Canada Development Corporation and the Foreign Investment Review Agency as well as initiatives in the area of cultural policy, such as the Canadian-content regulations of the Canadian Radio Television and Telecommunications Commission and tax measures to protect domestic periodicals, have all been painful and tentative steps to maintain national integrity. A decade and a half of nationalist pressures, some from within the government from people like Walter Gordon, much of it from outside, has led to these steps. What made each initiative slow and difficult was the immense resistance to actions that fall outside the liberal framework. The CDC and FIRA were opposed as agencies that would interfere with the free functioning

of the market economy. This liberal response was commonplace despite the exhaustive evidence of three major federal government reports establishing that large foreign-owned corporations had reduced Canada's economy to a truncated, northern extension of the American economy. Lacking in entrepreneurship and creative innovation, the branch-plant economy was the very opposite of the liberal ideal and yet the liberal framework made the initiatives to undo its effects almost impossible to carry out. **The actions of the CRTC and the government's action to remove** *Time Canada's* **tax status as a domestic publication met with the accusation that Canada was moving in the direction of censorship. So solicitous was the liberal defence of private institutions that the monopoly power of foreign communications firms was being upheld at the expense of independent Canadian development.**

And yet, the steps were taken by a Liberal government.

In each case, in each generation, steps taken to keep open the door to independent Canadian development have been made within an environment in which the assumptions of liberalism have remained dominant. The recurrent and insistent desire for Canadian survival has asserted itself in all these projects over the past century, projects which have contributed to a minimum level of national integrity. But the measures have been undertaken outside the accepted ideological framework. And their combined impact has not been sufficient to broaden the scope of that framework to include consistent initiative to ensure the survival of Canada.

Surrounded by the ethos of liberalism, the improvised projects for national survival have remained isolated successes, themselves constantly subjected to pressures to absorb them within the liberal framework. Much of the energy of the innovative institutions has been absorbed in resisting such pressures or has been redirected to negate the very purpose of the initiatives. **The CDC, created to provide a pool of domestic capital to lessen the country's dependence on foreign direct investment, has been diverted into takeovers of Crown corporations on behalf of private investors. The Foreign Investment Review Agency, created to screen foreign takeovers of Canadian firms, has been pressured to become an agency that will instead seek out foreign capital. Even long-established Crown corporations are not immune from this process. The news that Canadian National Railways earned a profit in 1976 has led to proposals from within the government that the profitable parts of this half-century-old, publicly owned company be sold to private investors**.

Always about to be written off as a force in Canadian life, English Canadian nationalism has displayed recurrent vitality. Unlike its Quebec counterpart, however, it has been philosophically inarticulate. The reason for this has been the capacity of the surrounding liberal ethos to cope with Canadian problems within its own terms *(as well as the inability of our socialists to analyze and respond to Canadian nationalist sentiment with a sovereigntist program, e.g., repatriation under public ownership of our natural resources – despite efforts of the small Trotskyist press, the ONDP Left Caucus, and the promising start of the Waffle campaign within the NDP 1969-1973 – Web Ed.)*

Since the 1890s the Canadian Liberal system has been based on a consistent and interrelated approach to three major and intersecting conflicts in Canadian life.

Liberal economic strategy has been based on the notion that multinational resource and manufacturing corporations are the essential instruments of economic development. Responding to the tenacious pressure of American corporations for access to Canadian resources and consumer markets, the Liberal strategy has been to harness these forces to achieve the growth of social services and to overcome regional disparities in Canada. **As long as the raw energy and dynamism of American business can be made to serve Canadian ends, Liberals have argued, economic dependence can be a paying proposition.**

(...)

The Liberal concept of national unity (...) has sought the reconciliation of French Canadians to minority status in Canada. In return for giving up the notion of living as an integral national community, Quebeckers

have been promised service in their own language in all parts of Canada. If only they will grasp it, the Liberals have argued, French Canadian men and women can achieve individual success in the field of their choice, no less than their English-speaking counterparts.

(...) the Liberal approach was to reconcile the dependent to the dominant, in return for the assurance that the future held unlimited promise for any who had the tenacity to seize it. The acceptance of existing inequalities was based on the understanding of an ideal equality for all toward which the system was working. **Central to the whole strategy, underlying it, giving it substance, was the American connection. Liberalism drew strength from the almost universal belief in Canada that American invention, productivity, entertainment — the whole American way of life — would be available for Canadians.** Drawn to its warmth, power, and vitality, Canadians saw an American sun in their sky, pouring down its blessings on the people north of the border.

The fundamental role of Liberal centrism was to reconcile the insistent Canadian drive for national survival to the benefits of the American connection.
(…)

The assumptions that underlay the successful branch-plant strategy of the 1950s and 1960s no longer apply. Canada can no longer assume the presence of an ever-expanding U.S. demand for Canadian resources. Nor can Canada assume a virtually unlimited supply of resources. The result is an economic system, now heavily burdened with the interest and dividend payments on past foreign investment, and unable to achieve a balance of trade to allow Canadians to continue their record high imports of manufactured goods. A long period of difficult, structural adjustment is in store for the Canadian economy.
(…)

English Canadian nationalism comprises a complex of attitudes shared by a very wide portion of the population. Some of the attitudes are more general than others. For some a sense of the country's historical traditions, its cultural and political life, is important. For others, a passionate regional identification is the core component. Some value the nation's non-American traditions, its greater cooperative ethic and its record of public enterprise serving the whole community. Undoubtedly, the most universal idea is a common belief in the land itself, in the physical beauty and potential of Canada. The land provides Canadians with the symbols of permanence that other older societies derive from their architecture, their cities, their art. To those not familiar with Canada, this identification with the land appears to be cold and non-human compared with the traditions of other nations. But the belief in the land is, in fact, a belief in a hopeful future for people, a belief that in Canada it still remains possible to create a society that can do whatever the people who live in it want it to do. The belief in the land is a sense that the limitations experienced by other societies, including those very close at hand, do not need to apply here. It is an expression of that most basic instinct, the desire to believe that people can freely determine the shape of their society.

At the centre of Quebec nationalism has been the idea that a Québécois is fully at home only in Quebec. Despite its greater geographic and human diversity, the same is true of English Canada. For better or for worse, English Canadians exist as a people, fully at home only in their own society in a way no different from any other people. Obviously, their ambiguity as a people and their anxiety concerning their identity is caused by their geographic and cultural proximity to the United States. However, if there is a touchstone of English Canadian existence apart from the belief in the land, it is the historically tenacious determination to remain non-American. For two centuries English Canadians have continually chosen to remain a separate English-speaking people in North America. That sentiment has never been stronger than today.

The strangeness of English Canada, the quality that makes its character so difficult to depict, is the co-existence of a basic determination to survive as a people alongside the liberal ideological framework that has placed so many obstacles in the path of survival. **To say this is to say that English Canadians have not yet become fully themselves as a people, that they have not become fully conscious of the implications of their existence. To assume from this, however, that the will to survive in English**

Canada is weak is to misunderstand Canada's remarkable history. The similarities and differences between Québécois and English Canadian nationalism have important implications for Canada's future.

Both nationalisms are projects for the survival of small nations in North America. Both have a Canadian and a North American dimension. Inside Canada, the two nationalisms have been in conflict. English Canadians have simply assumed that their aspirations for the country applied to Francophones as well as to them. As a majority in Canada, their tendency has been to deny the reality of a Francophone nation in Quebec. English Canada's historic role vis-a-vis Quebec has led Quebec nationalists to place the goal of sovereignty vis-a-vis Canada ahead of the goal of economic independence from the United States. To this English Canadians reply in rightful indignation — political independence without economic independence is a sham; it is the branch-plant condition that all of Canada has experienced. The reply has no meaning in Quebec, however, unless it is associated with an undertaking on the part of English Canada to form an entirely new relationship with Quebec.

The impasse is fundamental. The election of the Parti Québécois government has led to a new round of frantic explorations of constitutional options in English Canada to head off the separation of Quebec. They are: the *status quo;* a radically decentralized federation in which Quebec would feel at home as one of ten loosely associated provinces; and special status for Quebec.

Exploring options apart from an appraisal of the goals of the two nationalisms makes little sense. **One point of common ground emerges from an examination of the goals of the two nationalisms. Provided English Canada recognizes the necessity for a new relationship with Quebec, Quebec nationalists are favourable to the idea of a mutual economic strategy. Such a strategy is logically possible both within an altered Canada which includes both Quebec and English Canada and between two sovereign states.**

(…)

The starting point for an altered framework is the realization that English Canada will survive as a nation just as Quebec will, whatever Quebec decides about the question of separation. English Canada's determination over two centuries to proceed with its project of independence in North America has not been dependent on union with Quebec, however strongly English Canada desires to maintain the union.

***The reality is that the national projects of both English Canada and Quebec are too* strong to be negated easily. Any union between the two depends on the two projects merging to achieve common purposes while retaining their unique goals. The problem is as old as Canada itself. It takes a new form today because English Canada can no longer sustain its old relationship with Quebec; nor can either Quebec or English Canada experience the substance of independence without a conscious strategy for economic independence. And only out of such substance can individuals in the two societies acquire hopeful expectations for their personal futures** *(for a discussion on the solution to this Gordian knot, see W7- the 1977 pamphlet "Quebec & the Canada Crisis" on this website – Ed.)*

To solve such problems in the past, the idea of a common strategy between the two societies on the northern half of the continent has been recreated in different historical epochs. Today the basis for such a strategy for the first time depends on the recognition that the two societies are equal and permanent.*(More precisely, the historical economic domination of English Canada demands the latter's recognition of the former's right to self-determination, up to and including separation -- already a policy of the Waffle -- Web Ed.)* **On such a basis, an old idea, the idea of Canada, retains its compelling power.**

(end)